

Amazon Fund: Activity Report, 2011 Actions and Projects

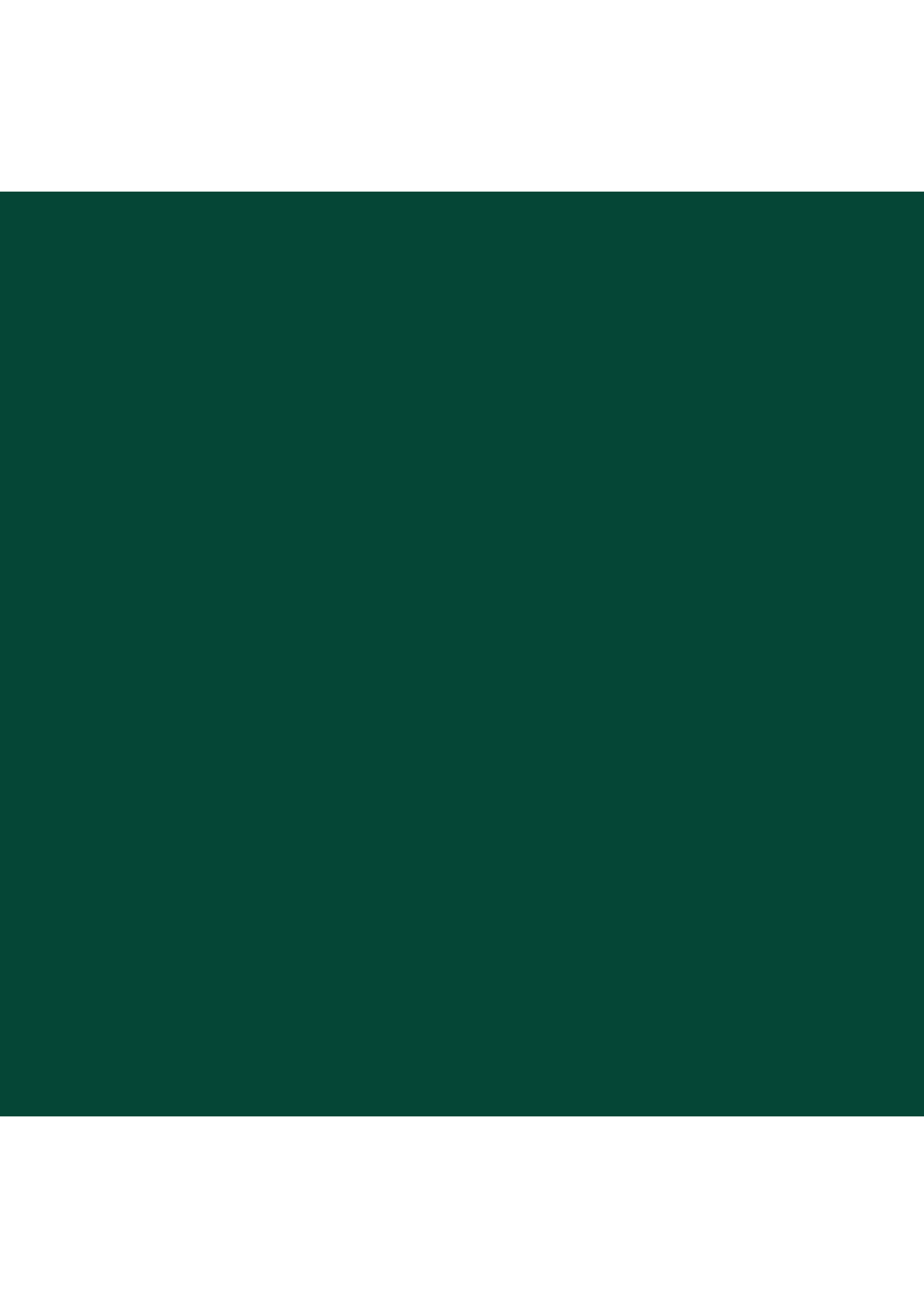
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The logo for the Amazon Fund, featuring the words "AMAZON" and "FUND" in a bold, sans-serif font. The letters are filled with a detailed image of a lush green Amazon rainforest, showing various plants and trees. The text is centered on a white rectangular background.

AMAZON FUND

The title "ACTIVITY REPORT 2011" and subtitle "ACTIONS AND PROJECTS" in a bold, sans-serif font. The text is centered on a white rectangular background.

ACTIVITY REPORT 2011
ACTIONS AND PROJECTS





AMAZON FUND

ACTIVITY REPORT 2011
ACTIONS AND PROJECTS

Dear Reader,

The Amazon Fund is considered a pioneering initiative in financing efforts aimed at Reducing Emissions from Deforestation and Degradation (REDD). Within this context, the account of its history, learning processes and results are relevant aspects to share.

With this, the publication of annual reports, besides being an instrument for accountability and the transparency of information, is an opportunity to share stories and experiences. In the specific case of the Amazon Fund, it is also a way to record and disseminate to society how an innovative and participatory strategy is being built and consolidated, which fosters sustainable, social and environmental development of the region.

The 2011 Annual Activity Report of the Amazon Fund is divided into two parts, which are complementary to each other. The first part, which is more conceptual, presents the following information:

- The Amazon rainforest and the main factors driving deforestation;
- Objectives of the Amazon Fund and the correlation with the Federal Government's plans to prevent and combat deforestation in the states of the Legal Amazon;
- Rules for fundraising;
- Assignments related to its governance;
- Operational structure, eligibility criteria and processing of projects at the BNDES, manager of the Amazon Fund; and
- Instruments for dialog and dissemination of information to the various audiences and partners of the Amazon Fund.

This more descriptive part shows the efforts developed throughout 2011 and the results achieved so far by the Amazon Fund. It is divided into the following topics:

- Message from the Minister of the Environment;
- Message from the BNDES' President;
- Evolution, prospects and challenges of the Amazon Fund;
- Data on deforestation in the Amazon in 2011;
- Donations formalized;
- Meetings held by the Guidance Committee and the Technical Committee of the Amazon Fund;
- Operational and financial performance of the fund, accounting and audits;
- Methodology for monitoring and assessing results;
- Detailed description of projects supported;
- Technical cooperation, communication efforts, dissemination and participation in events.

Enjoy the read.

AMAZON FUND. BRAZIL PROTECTS IT. THE WORLD SUPPORTS IT. EVERYBODY WINS.

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MESSAGE FROM THE MINISTER OF THE ENVIRONMENT

The Amazon Fund has been effectively operational for two and a half years. This report presents both the accumulated results and the enormous challenges that involve putting this mechanism in place.

The early years of the Amazon Fund were devoted to its design, negotiations and structuring. Up to December 2011, the fund raised resources donated by the governments of Norway and Germany. Besides this, it obtained its first fundraising from a national company, namely Petrobras, amounting to approximately R\$ 858 million in donations.

The fund ended 2011 with commitments of approximately R\$ 260 million in financial support to implement 23 projects, and another 47 projects are currently under analysis, amounting to approximately R\$ 685 million. With this, there have been many improvements. However, there is still the need for increased attention to accelerate its performance in light of Brazil's commitments to reduce deforestation.

In 2011, the rate of deforestation in the Legal Amazon was 6,238 km², the lowest in the last 20 years, according to the historical records of the National Institute for Spatial Research (INPE). This reduction represents approximately 13,387 km² of deforestation that has been averted. This means that Brazil has prevented the emission of 491 million tonnes of carbon from deforestation.

Clearly, we are on the right path, as the efforts made, from 2004 to 2011, managed to contribute to reducing 68% of deforestation in the Legal Amazon in relation to the 1996-2005 period. However, the latest assessment of the Plan to Prevent and Control Deforestation in the Legal Amazon (PPCDAM) indicates that the command and control agenda for illegal deforestation is showing signs of exhaustion due to changes in its standard.

Thus, it is necessary to assemble a long-term agenda, with proactive and high impact efforts aimed at preserving the results already achieved and ensuring the targets set for 2020.

Several strategies are underway to ensure this change in scale. Among them, we can highlight the implementation of infrastructure projects, understood as efforts with significant impact and problem-solving capacity through joint work between the teams from the Ministry of the Environment and the BNDES.

In another aspect, new mechanisms are being implemented, such as support for small sustainable production projects through public calls-to-bid, which will have the support of nongovernmental organizations that perform activities associated with the local population, social legitimacy and operational capacity. It is convenient to extend similar initiatives to the states in the region in order to heighten the adherence of the fund's financing to local public policies aimed at reducing deforestation.

It was also in 2011 that negotiations began within the government to enable one of the most important commitments of the fund: support for third countries with tropical forests to systematically monitor their forest coverage.

This report, prepared by the team from the Amazon Fund of the Brazilian Development Bank (BNDES), transparently details and discloses the operating performance and results achieved by the fund since its inception in 2008.

I believe the Amazon Fund is one of the most original initiatives in the world aimed at preventing deforestation. The experience of the fund, though recent, brings important input so as to enable the further developed of the debate at Rio+20 on strategies to reduce deforestation and to foster the support of the countries participating in the strengthening of such initiatives.

Brasília, May 2012.

Izabella Teixeira

MINISTER OF THE ENVIRONMENT

President of the Guidance Committee of the Amazon Fund

MESSAGE FROM THE BNDES' PRESIDENT

The management of the Amazon Fund is in keeping with the guidance of the Ministry of the Environment and the Guidance Committee of the Amazon Fund (COFA). Created through a decree from the Brazilian President, on August 1, 2008, the fund has become, since then, an important tool in supporting initiatives from Brazilian society to preserve the Amazon Biome and reduce greenhouse gas emissions from deforestation and forest degradation.

The task assigned to the BNDES by the Brazilian government to manage a fund that is the magnitude of the Amazon Fund expresses acknowledgement of the Bank's commitment to environmental development.

This priority for preservation and a sustainable economy has been successful. One example is the deforestation rate estimated for 2011, approximately 6,238 km², which was the lowest recorded by the National Institute for Spatial Research (INPE) since monitoring of vegetation coverage began in the Amazon 23 years ago. Compared to 2008, the reduction was approximately 50%.

The result reflects systematic efforts by the Ministry of the Environment to combat deforestation, as reduction has been continuous. Over the past three years, deforestation rates have been the lowest recorded.

The results for this period, described in this 2011 activities report, demonstrate the successful management of the Fund in relation to the proposed objectives. From June 2009 to December 2011, financial support was approved for 23 projects in the Legal Amazon, of which five were in 2009, eight in 2010 and 10 in 2011.

The earmarked amount reached R\$ 260.7 million, covering 130 municipalities and benefiting farmers, indigenous peoples, as well as riverside and quilombola communities (maroon). The Fund has supported investments in forest protection, technology innovation aimed at sustainability, development of new sustainable activities and strengthening regional institutions in order to make them more efficient in monitoring the environment in the Amazon Region.

The efficiency shown in these results has helped us attract more partners. From the last quarter of 2009 up to December 2011, the fund received funds donated by the governments of Norway, in 2009, and Germany, in 2010. Last year, it launched fundraising efforts with national companies, with the first donation coming from Petrobras. In total, the fund raised the amount of US\$ 457.1 million, equivalent to approximately R\$ 857.3 million in donation contracts already formalized to be utilized up to December 31, 2015.

Throughout this period, the BNDES, recognizing the importance of communication and transparency of information, has made the activities of the Amazon Fund public via its website, with monthly updates and detailed information on all operations.

With this initiative, besides remaining accountable to society, the Amazon Fund hopes to contribute to the creation of other tools for REDD (reducing emissions from deforestation and degradation), in view of its pioneering character as a mechanism for preservation, conservation and the recovery of the environment.

This report on the activities of the Amazon Fund in 2011, by pleasant coincidence, is being published at the Rio+20 event. This meeting will be an opportunity to renew our commitment to the environment and reaffirm a constructive agenda for sustainability policy, combining the growth of developing economies with new and more efficient paradigms for conservation, reduction of CO₂ emissions, energy saving and advancing renewable energies.

Brazil has matured and can make important contributions through its experience.

Luciano Coutinho
BNDES' PRESIDENT



EVOLUTION OF THE AMAZON FUND

Up to 2011, the Amazon Fund has been effectively operational for two and a half years. Its design and implementation are considered pioneers in virtue of its unprecedented scale, both in its potential to mobilize non-reimbursable financial resources, and its scope, which covers a vast territory. The fund also stands out for its range of topics, which help reduce emissions from deforestation and degradation (REDD).

Within the United Nations' Framework Convention on Climate Change (UNFCCC), Brazil expressed its intention to make nation-specific mitigation efforts, including those related to combating deforestation in the Amazon.

These results were largely due to a set of measures guided by a clear, national, integrated and coordinated strategy between government agencies and nongovernmental organizations.

The creation of the fund was promptly recognized by the international community, given the successful Brazilian public policy, anchored in the existence of a world-renowned system for monitoring and in the environmental management capacity. This solid operational basis has invited the international community's support for national efforts to combat deforestation, which is known to pose enormous challenges.

These challenges are precisely the struggle against the main causes and effects associated with deforestation in the Amazon, deeply rooted in

the history of territorial occupation and which follow an economic logic that depreciates the value of the forest. As it is often said: To change this scenario requires political decision-making, institutional governance, scientific and technological development, innovation, awareness and participation of various players in society, among other basic requirements. We can add to this the need for cultural changes, such as altering the habits and the consumption patterns of global society. Implementing such changes is needed and involves high costs.

With this, transformation is essential and requires more than just financial resources, although these are of paramount importance to ensure sustainability and continuity of substantial efforts. If the task is in the medium and long term, now is the time to prepare a future different from that which scientific facts have already predicted.

This context makes the Amazon Fund an instrument that sparks the interest of those involved in the search for help to guide the formulation of public policies in creating tools to support initiatives for REDD and REDD+. Governance of the Amazon Fund indicates the route for demands, the debate of ideas and joint formulation of priorities, as well as the guiding criteria for application of its resources, through its representative structure of government institutions and NGOs associated with the topic.

Management of the Amazon Fund is aligned with the mission and strategic goals of the BNDES, an institution that is historically required to respond to different socio-economic challenges facing the country as it is the main financier of long-term investments aimed at sustainable development.

The Bank's expertise in managing other funds contributed to the establishment of the Amazon Fund. However, its peculiar creation and framework have conferred specific characteristics to the fund that influence its implementation, management and operation, in spite of the lessons

learned by other previous pilot experiments, including the Pilot Program for the Protection of Tropical Forests in Brazil (PPG7).

As one of the Amazon Fund's premises is fundraising from voluntary donations, both national and international, it is of the utmost importance to highlight the relevance of communication, transparency of information and accountability. This visibility is critical to demonstrate the seriousness and credibility of the efforts implemented. In addition, information on and assessment of projects supported by the fund may contribute to formulating other REDD initiatives, whose experiences are still incipient worldwide.

One of the objectives of the annual publication reporting on activities related to the inner workings of the Amazon Fund is to share this initiative. After two and a half years of effective operation, the fund ended 2011 with the accumulated amount of R\$ 260,730,294.90, committed to providing financial support for the implementation and consolidation of a total of 23 projects.

Its performance can be traced through quantitative and qualitative indicators, which illustrate the various aspects involved in its operation and management, and which are commented on below.

Fundraising from voluntary donations

The fundraising activity is extremely complex and requires dedication and operational time: visits and meetings with potential donors to assess the potential for partnership and compatibility of procedures (due diligence), involving multiple negotiations until the effective contracting of the donation. Measures are also needed in the fields of taxation, finance and procedures for managing the calls-for-resources in each donation.

From the last quarter of 2009 up to December 2011, the fund received donated resources from the governments of Norway and Germany, and in 2011 it carried out its first fundraising with a national company, Petrobras. In total, the fund raised the amount of US\$ 457,045,534.09, equivalent to approximately R\$ 857,326,012.85 in donation contracts already formalized, and which is to be utilized by 12.31.2015.

It is worth noting that, from the amount of contracted donations, the only resources required to enter the fund are those which are expected to be applied over the next six months, taking into account the existence and likelihood of project approvals in the “portfolio” and respecting the fund’s financial and tax planning. Therefore, by the end of 2011, the fund balance had registered the effective inflow of R\$ 182,153,130.75. Disbursements aimed at approved projects amounted to R\$ 70,846,058.51, reflecting the early stages of the projects that were underway at that time.

It is also important to note that, by the end of 2011, there was no possibility of supporting projects with higher amounts due to the guidelines and criteria of the Guidance Committee of the Amazon Fund (COFA), effective at the time, which had been established to prevent the concentration of resources in a few projects in the initial phase of the fund, when the amounts raised were smaller.

Application of financial resources: financing, analysis, approval and monitoring of projects

From the total contracted from donators up to the end of the year 2011, the fund committed approximately 30% to 23 projects, that is, the amount of R\$ 260,730,294.90. They are significant projects, with an average value of R\$ 11 million. At the end of 2011, the fund's portfolio had received another 47 projects amounting to R\$ 685,230,969.84, and which were undergoing analysis by the BNDES' specialists. Many of them are likely to receive approval throughout 2012. Together, these projects amounted to R\$ 945,961,264.74.¹

Disbursements for the projects supported are made in tranches over the course of their implementation and adhere to the deadlines established in the physical-financial schedules provided at the time of their formulation. In the case of projects receiving funds from the Amazon Fund, the implementation of these projects is usually scheduled from a year and a half up to five years. This means that the amount of a contracted project that will take three years to implement, for example, will only be fully disbursed by the end of the third year as of the date it was contracted.

The pace and deadlines for the release of funds to projects are also influenced by the time required to meet the mandatory requirements, for example: the legal regulations required to conduct bidding procedures when purchasing goods and services in projects for which government institutions are held responsible; requirements for environmental compliance; and land-title regularization – all complex procedures that take a considerable amount of time to resolve. In general, these factors prolong the initial deadline for disbursements to projects, which eventually gain pace from their specific implementation.

¹ More information about the portfolio of projects is available at the Amazon Fund website (www.fundoamazonia.gov.br).

MONITORING RESULTS

In terms of expected outcomes, from the initial moment up to full implementation, which can vary from one year and a half up to five years, the 23 projects supported up to 2011 have a high potential for impact in relation to the objectives of the Amazon Fund, as can be seen from the achievements in the following list:

1. N°. of families benefited from payment for environmental services: 12,569
2. N°. of individuals trained: 4,690
3. N°. of individuals participating in awareness or integrating events: 12,342
4. N°. of workshops and training courses: 339
5. N°. of farmers that received technical assistance: 6,100
6. N°. of properties with sustainable production projects: 2,200
7. N°. of recovered springs: 1,200
8. N°. of environmental agencies (state and municipal) now structured: 52
9. The area of properties with georeferenced-mapping for the purpose of CAR (ha): 10,000,000
10. N°. of property applications that were protocolled to join CAR: 103,000
11. N°. of Conservation Units (federal and state) receiving support: 82
12. Extension of protected areas with strengthened environmental management and/or control of their territory (km²): 526,000
13. Area of Conservation Units yet to be created (km²): 135,000
14. N°. of indigenous people that benefited: 7,000
15. N°. of rural properties with regularized land-titles: 800

16. Area of rural properties georeferenced for the purpose of land-title regularization (ha): 58,955

17. Amount of support for projects in science, technology and innovation: R\$ 15.8 million

CHALLENGES AND PERSPECTIVES

2008	2009	1 st half 2010	2 nd half 2010	1 st half 2011	2 nd half 2011
<ul style="list-style-type: none"> • Amazon Fund created by Decree No. 6,527/08 • First COFA meetings: guidelines for use of resources 	<ul style="list-style-type: none"> • Creation of the BNDES' Environmental Division • Donation agreement with Norway • First five projects approved • Participation in COP15 • COFA meetings 	<ul style="list-style-type: none"> • Creation of the Amazon Fund's website • Presentation of audits • Technical visit from NORAD • COFA meetings 	<ul style="list-style-type: none"> • Second donation commitment from the government of Norway • Publication of Annual Report • Donation from the government of Germany – KFW • Participation in COP16 • Eight projects approved • Presentment of the Logical Framework for the Amazon Fund • COFA Meetings 	<ul style="list-style-type: none"> • Five projects approved • Publication of Annual Report • Participation in COP16 	<ul style="list-style-type: none"> • Donation from Petrobras • Five projects approved • Presentation of audits • COFA meetings

The figure above illustrates the timeline of the Amazon Fund, highlighting its most significant milestones, such as:

- presidential decree in August 2008 to create the Amazon Fund;
- establishment of committees to integrate its representation and participatory governance systems;
- definition of guidelines and criteria for use of resources by the Guidance Committee of the Amazon Fund (COFA), and validation given by the Technical Committee of the Amazon Fund (CTFA) for annual fundraising limits calculated by the Ministry of the Environment;
- creation of organizational and administrative structure for the management of the Fund at the BNDES, in its Environment Division;
- establishment of model for financial management of funds that are raised and deposited in the fund;
- contracting all new resources from donators;
- interaction, listening and dialogue with stakeholders;
- establishment of mechanisms for communication, as well as transparent and detailed disclosure of activities and results of its management;
- projects supported by the fund; and
- accountability and disclosure of independent audit reports with recognized foreign competence.

In spite of the existing macro-orientations in public policies, namely the Plan of Action for Prevention and Control of Deforestation in the Legal Amazon (PPCDAM) and some pioneering financial incentives for forest protection, the initial two and a half years of the fund's operations involved, at the same time, structuring, experimentation and learning in practice, as there was no pre-operational stage which is common for funds with similar objectives.

One of the problems that arise when receiving requests for financial support is that a good idea is often presented, without, however, constituting an actual project. In the definition adopted by the BNDES as the Fund's manager, "a project is a planned enterprise consisting of a set of

interrelated and coordinated activities in order to achieve specific objectives within the limits of a given budget and time period”.

To address this problem, the Bank designed a Previous Consultation model specifically for Amazon Fund projects, with guidance for the initial formulation of requests for support from the fund, containing simplified and homogeneous language. This model includes: an introductory guide that includes explanatory and guiding topics to help fill in the Previous Consultation forms and the concepts that should be observed; information on key public policies and guidelines governing the Amazon Fund; a request for linked information to clarify the intervention strategy proposed (project) for the desired goals, besides the introduction of links that help prepare the Previous Consultation.

Improving this Previous Consultation model incorporated several suggestions made by non-governmental organizations interested in financial support from the Amazon Fund, as well as several other initiatives, such as making available a list of documents, on the Amazon Fund’s website, that are required when requesting assistance from the fund, in a simplified fashion and organized per legal nature of the applying institution and per stage of support request at the BNDES, as well as access to the Amazon Fund team, especially through the ‘Contact Us’ icon on the site.

As manager of the Amazon Fund, the BNDES seeks to constantly improve its policies and procedures aiming to identify and implement new initiatives that result in better operation of the fund.

Also, in these early years since the fund’s creation, important work was carried out promoting, identifying and listening to demands, considering lessons from existing initiatives and assimilating lessons from operations previously performed.

This learning curve has been developing jointly due mainly to the debate on and the formulation of criteria to meet Demands and issues related to key areas of the fund, within its technical and guidance committees.

We consider it important to further the articulated and integrated planning to develop a long-term agenda with preventative and proactive efforts, given the scale of the country's environmental assets, as well as the need to maintain the results already achieved and to promote a permanent, virtuous cycle.

The enormous responsibility and expectations surrounding this pioneering mechanism, which is the Amazon Fund, requires strategic alignment when implementing efforts and policies to produce impacts of greater magnitude and of a structuring nature. Thus, it will be possible to increase the scale of the Amazon Fund's operations.

To bring about this change in scale, several complementary strategies are being adopted. It is worth mentioning the ongoing efforts to identify infrastructure projects, understood as efforts with significant impact and problem-solving capacity through joint efforts by the Amazon Fund team and the Ministry of the Environment. To this end, institutions from the Federal Government, for example, for monitoring as well as scientific and technological development are fundamental.

It is understood that the states and municipalities are natural partners of the Amazon Fund, and that without the technical and political involvement of the states, the full performance of the fund will not be possible.

Simultaneously, it is important to continue building partnerships to enable growth and diversification in the number of direct operations with low unit value. In this area, the main third sector organizations have privileged dialogue that adds specific knowledge, social legitimacy and operational capacity.

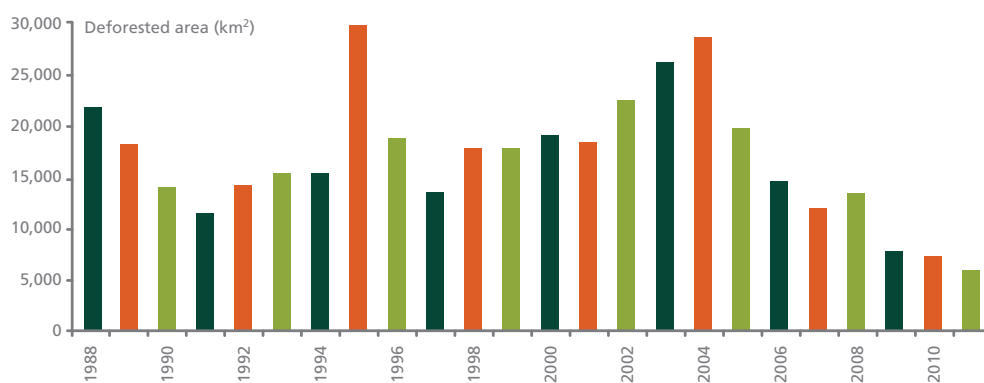
As an example, to enable support for small projects, new ways to operate the fund are being experimented with; the first resulted in the public call-to-bid for Sustainable Production Projects to be implemented in 2012, in which projects will receive support from institutions charged with the task of bringing together synergic efforts and initiatives in certain territories and which incorporate or develop into sustainable production sectors. This public call-to-bid aims not only to provide support for projects of lower value and smaller institutions, but, above all, to promote direct benefits to people and traditional communities, indigenous people, agrarian reform settlers, fishermen, family water farmers and regular farmers located in the Amazon Biome, the priority target audience for the fund, as established by COFA.





Preliminary data from the National Institute for Spatial Research (INPE) indicate that deforestation in the Amazon from August 1, 2010 to July 31, 2011 (2011 forest year) was 6,238 km². Over the past three years, as noted in Chart 1, there were consistently lower rates of deforestation (TD) since the institute started to monitor the vegetation coverage in the Amazon 23 years ago.

CHART 1: ANNUAL DEFORESTATION IN THE LEGAL AMAZON, PER CLEARCUT (IN KM²)



Source: PRODES/INPE.

TABLE 1: DEFORESTED AREA (IN KM²) IN THE LEGAL AMAZON BETWEEN 1988 AND 2011

Year	Deforested area	Year	Deforested area	Year	Deforested area	Year	Deforested area
1988	21,050	1994	14,896	2000	18,226	2006	14,286
1989	17,770	1995	29,059	2001	18,165	2007	11,651
1990	13,730	1996	18,161	2002	21,651	2008	12,911
1991	11,030	1997	13,227	2003	25,396	2009	7,464
1992	13,786	1998	17,383	2004	27,772	2010	7,000
1993	14,896	1999	17,259	2005	19,014	2011 ¹	6,238

¹ Deforestation rate estimated for the Legal Amazon in the forest year 2011.

Source: PRODES/INPE.

According to the estimate of deforestation per clear-cut in the Legal Amazon for the 2010 forest year, some 7,000 km², and for the 2011 forest year, 6,238 km², we can see a 10.9% reduction in the deforestation rate. In Table 2, we can verify the data on deforestation in the states that are part of the Legal Amazon, compared to the previous year.

TABLE 2: DEFORESTATION BY STATE

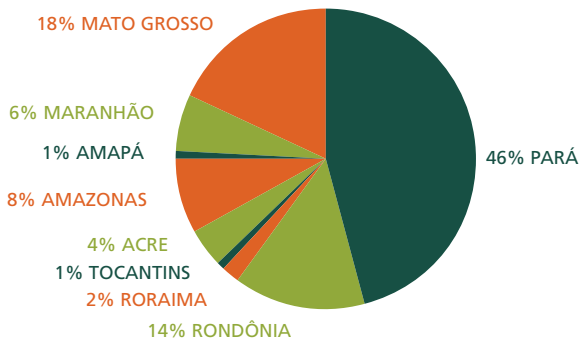
States	2010 deforestation (km ²)	2011 deforestation (km ²)	% increase 2010-2011
Acre	259	271	4.6
Amazonas	595	526	- 11.6
Amapá	53	51	- 3.8
Maranhão	712	365	- 48.7
Mato Grosso	871	1,126	29.3
Pará	3,770	2,870	- 23.9
Rondônia	435	869	99.8
Roraima	256	120	- 53.1
Tocantins	49	40	- 18.4
Legal Amazon	7,000	6,238	- 10.9

Source: PRODES/INPE.

It is interesting to note that, of the nine states in the Legal Amazon, six decreased their annual rates of deforestation. Maranhão and Roraima had the most significant percentage reductions.

Moreover, Pará significantly reduced its rate of deforestation. In 2010, the state had cleared 3,770 km², while in 2011, this area decreased to 2,870 km², a reduction of 23.9%. This performance has contributed significantly to the reduction in the rate of deforestation in the Legal Amazon.

CHART 2: CONTRIBUTION TO DEFORESTATION IN LEGAL AMAZON, PER STATE



Source: PRODES/INPE.





FORMALIZED DONATIONS

Based on the data on emissions reductions calculated by the Ministry of the Environment (MMA) using estimates from the INPE on deforestation, the BNDES is authorized to raise donations for the Amazon Fund by issuing certificates equivalent to tonnes of carbon, and their equivalence in financial contribution to the fund. These certificates are nominal, non-transferable and do not create rights or claims of any nature. The Amazon Fund has received donations from foreign governments as well as companies and is preparing to also receive donations from multilateral institutions, nongovernmental organizations and individuals.

The government of Norway has supported the initiative immediately, becoming the first and so far the largest donator of funds to the Amazon Fund, with a formalized commitment of up to NOK² 2,550,000,000.00, equivalent to US\$ 426,058,044.14³ and the intention to donate a total of US\$ 1,000,000,000.00 up to 2015.

Moreover, in the last quarter of 2010, the Amazon Fund received relevant government support from the Federal Republic of Germany through KfW Entwicklungsbank, which formalized a contribution commitment amounting to €⁴ 21,000,000.00 to the fund, equivalent to US\$ 27,249,600.00.

In 2011, the Amazon Fund found its third donator, Petrobras – the first company to contribute to the fund. In October 2011, Petrobras transferred

² NOK – Norwegian Kroner.

³ Values on December 30, 2011.

⁴ € – Euros.

to the fund the total amount of R\$ 7,315,912.85 (US\$ 3,900,156.12) corresponding to 842,071 tonnes of carbon dioxide (CO₂).

In its financial records, the BNDES is obliged to keep resources from donations separate. Some 3% of these resources is allocated to cover operational costs and other expenses related to the Amazon Fund, in addition to contracting audits. Disbursements of raised donations are made upon request by the BNDES, based on the fund's financial needs.

FIRST DONATOR: GOVERNMENT OF NORWAY

As authorized by Decree N°. 6,527/08, the BNDES signed a donation contract with the Ministry of Foreign Affairs of Norway on March 25, 2009, which provided a donation to the bank, as the manager of the Amazon Fund, in the amount up to NOK 700,000,000.00 (US\$ 116,957,110.16) to be used in 2009, and this deadline was later extended to 2011. The contract establishes the terms and procedures applicable to donations from Norway to the Amazon Fund.

Amendments to the donation agreement signed with the government of Norway

Amendment N°. 1 – Made on November 9, 2009

The Norwegian government has committed to making additional donations of up to NOK 1,500,000,000.00 (the equivalent of US\$ 250,622,378.91), of which NOK 750,000,000.00 (US\$ 125,311,189.45) in 2010 and NOK 750,000,000.00 (US\$ 125,311,189.45) in 2011. Besides these values, the possibility of additional donations by the government of Norway in 2010 and 2011 was also established.

Amendment N°. 2 – Made on December 16, 2010

The government of Norway, as established in Amendment N°. 1, committed to making an additional donation of up to NOK 100,000,000.00 (US\$ 16,708,158.59). Thus, the total value of the donations for 2010 went up to NOK 850,000,000.00 (US\$ 142,019,348.05). This increase was based on the total area of deforestation in the 2009 forest year, informed by INPE, which was 7,464 km².

Amendment N°. 3 – Made on December 14, 2011

The government of Norway has committed to making an additional donation of NOK 250,000,000.00 (US\$ 41,770,396.48), amounting to NOK 1,000,000,000.00 (US\$ 167,081,585.94) in 2011. It was also decided that the final deadline for the use of donated funds for the years 2009, 2010 and 2011 will be December 31, 2015.

SECOND DONATOR: GOVERNMENT OF GERMANY

As authorized by Decree N°. 6,527/08 and within the scope of the Official Financial Cooperation between the government of the Federal Republic of Germany and the government of the Federative Republic of Brazil, the BNDES and the KfW Entwicklungsbank, on December 7, 2010, signed the Financial Contract for Contribution to the Amazon Fund.

On the same date, the details for implementing the contract via a separate agreement were also adjusted.

The total contract value is up to € 21,000,000.00 (US\$ 27,249,600.00) to be granted in accordance with the methodology provided for in the Amazon Fund's regulations, of which (I) up to € 12,000,000.00 (US\$ 15,571,200.00) refers to emission reductions from deforestation in the

Amazon in the 2008-2009 forest years and (II) up to € 9,000,000.00 (US\$ 11,678,400.00) is related to the emission reductions that occurred in the 2009-2010 forest years.

THIRD DONATOR: PETROBRAS

On October 14, 2011, the BNDES entered into three donation contracts with Petróleo Brasileiro S.A. (Petrobras), in which donations were made to the Amazon Fund.

The company's donation is in keeping with the requirement of the Brazilian Institute of Environment and Natural Renewable Resources (IBAMA) for Petrobras to implement projects aimed at carbon neutralization in relation to the greenhouse gas emissions caused by their activities. The emissions are from the extraordinary burning of gas, which is the result of the company's production and marketing of oil and natural gas.

The allocation of donated resources is exclusively focused on projects to be funded under the Amazon Fund according to its standards, conditions, guidelines and criteria.

It is the BNDES' responsibility to analyze, approve and contract projects as are tracking, monitoring and accountability.

Acknowledgment of donators

For every contribution to the Amazon Fund, the BNDES issues a certificate, which identifies the donator and the amount contributed to the effort to reduce carbon dioxide emissions. The effectiveness of reducing emissions from deforestation, which defines the amount to be raised each year by the Amazon Fund, is attested by CTFA, which comprises renowned scientists in the climate change area. Table 3 presents data on funds already raised.

TABLE 3: RESOURCES RAISED

Donator	Installment	Date of entry of resources	Original value of donation	Value (in R\$)*	Value (in US\$)*	Tonnes of carbon dioxide	Tonnes of carbon	Year of reduction
Noruega	1 st	10.9.2009	NOK 123,437,000.00	36,448,350.22	20,960,578.70	4,192,115.7	1,142,265.9	2006
Noruega	2 nd	8.9.2010	NOK 169,262,000.00	49,600,536.48	28,283,364.59	5,656,672.9	1,541,327.8	2006
Alemanha	1 st	12.29.2010	€ 3,000,000.00	6,644,100.00	3,952,500.00	790,500.0	215,395.0	2009
Petrobras	1 st	10.14.2011	R\$ 1,765,983.70	1,765,983.70	1,016,335.00	203,267.0	55,436.0	2006
Petrobras	2 nd	10.14.2011	R\$ 4,114,671.55	4,114,671.55	2,368,020.00	473,604.0	129,164.0	2006
Petrobras	3 ^d	10.14.2011	R\$ 1,435,257.60	1,435,257.60	826,000.00	165,200.0	45,054.0	2006

* Historical values in Real and Dollar, as stated on the certificates issued by the Amazon Fund.



MEETING OF THE TECHNICAL COMMITTEE OF THE AMAZON FUND

The Technical Committee of the Amazon Fund (CTFA) has the authority to certify the amount of carbon emissions from deforestation calculated by the Ministry of the Environment. To do so, it must assess the methodology to calculate the area of deforestation and the amount of carbon per hectare utilized to calculate emissions.

In October 2011, its annual meeting was held, and the estimated amounts for emission reduction were established, amounting to 462.9 million tonnes of CO₂, as was the fundraising limit for the Amazon Fund in the period, US\$ 2,314,583,333.00.

At that meeting, its members suggested that CTFA could also have the following powers: (a) to provide technical and scientific assessment on carbon emissions from deforestation in the Amazon; (b) to develop studies on carbon emissions from deforestation; and (c) to assess the environmental effectiveness of investments from the Amazon Fund.

Since the creation of the Amazon Fund, the CTFA has held the following meetings and certified amounts for emission reductions, as shown in Table 4.

TABLE 4: MEETINGS OF THE TECHNICAL COMMITTEE OF THE AMAZON FUND

Meeting	Date	Year of reduction	Estimated amounts of emission reductions (in millions tonnes of CO ₂)
1 st	11.10.2008	2006	200.0
		2007	303.0
2 nd	12.1.2009	2008	245.7
3 rd	12.13.2010	2009	445.9
4 th	10.20.2011	2010	462.9

MEETINGS OF THE GUIDANCE COMMITTEE OF THE AMAZON FUND

The Guidance Committee of the Amazon Fund (COFA) is responsible for establishing guidelines and criteria for application of the resources from the Amazon Fund and to approve information on the application of its resources.

COFA also approves the fund's annual report and ensures the reliability of supported initiatives, in accordance with the guidelines in the Action Plan for Prevention and Control of deforestation in the Legal Amazon (PPCDAM) and the Sustainable Amazon Plan (PAS).

Throughout 2011, COFA met in two ordinary sessions. The meetings are consigned in Records of Decisions and Topics (RETs), which is published on the Amazon Fund's website after being approved by all members. In addition to the topics suggested by the Committee members, an analysis carried out by the BNDES of the fund's project portfolio was presented at both meetings.

Since the creation of the Amazon Fund, the CTFA has held the following meetings and certified amounts for emission reductions, as shown in Table 4.

TABLE 5: MEETINGS OF THE GUIDANCE COMMITTEE OF THE AMAZON FUND

SUMMARY OF ISSUES ADDRESSED	11 th meeting	October 27	RET approval 10 th meeting
	Brasília DF – Trip Brasil Hotel 21		
	<ul style="list-style-type: none"> The representative of the Ministry of the Environment, Minister Izabella Teixeira, was elected as COFA's president with a two-year term ending on 10.22.2013. The implementation of public call-to-bid to select sustainable production projects for the unifying mode was approved. The accountability of the Amazon Fund related to 2010 and the corresponding Annual Report of the Amazon Fund were approved, together with the opinions from Deloitte Touche Tohmatsu Independent Auditors on the financial statements and the opinion of auditors UHY Moreira on the conformity of projects supported by the fund's standards and guidelines. 		
SUMMARY OF ISSUES ADDRESSED	12 th meeting	December 14	RET approval 11 th meeting
	Brasília DF – Naoum Plaza Hotel		
	<ul style="list-style-type: none"> The proposals to amend the guidelines and criteria of application for the resources from the Amazon Fund were presented and considered. The Ministry of Foreign Affairs (MRE) and Ministry of the Environment (MMA), together with the BNDES, will formulate a proposal, for later assessment by COFA, for guidelines and criteria for the Amazon Fund's support in monitoring projects in other tropical countries. A Working Group was approved, comprising the Brazilian Forum of NGOs and Social Movements for the Environment and Development (FBOMS), the Coordination of Indigenous Organizations of the Brazilian Amazon (COIAB), the BNDES, the sector responsible for indigenous affairs in the states and the National Indian Foundation (FUNAI), to identify opportunities and to propose ways to support projects from indigenous organizations in the Amazon under the Amazon Fund. The Table of guidelines and criteria for application of Resources from the Amazon Fund has undergone some changes. The following changes were approved by the members of the Guidance Committee, becoming effective on January 1, 2012: <ul style="list-style-type: none"> I. Creation of autonomous tables for guidelines and criteria for application in the Amazon Fund in "other biomes" and "other countries"; II. Change in the title of the Table A to "Guiding Criteria"; III. Giving more value to projects with a diverse players and a shared governance structure; IV. Amendment of Item C2 – Applicants/Performers, from Table B "Minimum Determining Factors for Projects" whose text is replaced with: "Project must include consent from all partners and co-executors." See Amendment from Item C13 – No concentration of resources in the same Table B which will have the following text: "the amount invested in each of the four operating modalities should not be less than 10% or greater than 40% of available resources in the year, subject to the criteria of fairness." 		

PRESENTATION OF THE WORK OF THE COMMITTEE FOR DETAILING AND STRUCTURING PROJECTS – SUPPORT FOR SUSTAINABLE PRODUCTION PROJECTS

The Commission recommended, after several meetings, that support for sustainable production projects should occur through a public calls-to-bid in the unifying modality, that is, undertakings managed by an entity and comprising subprojects from other entities aimed at developing value chains related to the following categories:

- wood and non-wood forest management;
- aquaculture and fishing arrangements/systems; and
- agro-ecological and agro-forestry systems.

The financial value of projects in this modality will follow the following criteria:

- the value of projects submitted by each unifying entity must be between R\$ 2,000,000.00 and R\$ 10,000,000.00;
- the maximum value of each subproject will be R\$ 500,000.00; and
- the total value of support through public calls-to-bid may be up to R\$ 50,000,000.00.

The Commission for Classification and Selection of projects must promote the necessary adaptations to finalize the public calls-to-bid in the unifying modality, as well as detailing its own operation and systematic voting system.

GUIDELINES AND CRITERIA FOR APPLICATION OF THE AMAZON FUND IN 2011

Summary Tables of the guidelines and criteria for application of the Amazon Fund contain the main normative considerations made by COFA concerning resource allocation, project prioritization criteria, conditioning factors, modalities for applying resources and their limitations. At COFA's second meeting in 2011, the duration of these tables in 2011 was ratified, as per the consolidated version on 3.26.2010.

SUMMARY TABLES OF GUIDELINES AND CRITERIA FOR THE APPLICATION OF THE AMAZON FUND

Consolidation: 3.26.2010

DISTRIBUTION OF RESOURCES THROUGHOUT APPLICATION AREAS

Application Area	Application limit of the total resources available in the year
A. Projects in the Amazon Biome	no limit
B. Projects in other Brazilian biomes and in other tropical countries	20%

Note:

The BNDES must make efforts to invest resources in other biomes and other countries.

A. PRIORITIZATION CRITERIA

Code	Criteria	Amazon Biome	Other biomes	Other countries
P1	Geographical	Projects carried out in priority municipalities to prevent, monitor and combat deforestation; Projects undertaken in the municipalities in areas under influence of large-scale PAC works; Projects undertaken in municipalities/ regions with higher conservation of forest coverage.	Not applicable	Not applicable
P2	Topics	(see table below)	Not applicable	Not applicable
P3	Diversity of players involved	Projects involving articulation and implementation including the government, private sector, NGOs/social movements and local communities.	Same as Amazon Biome	Same as Amazon Biome Projects involving regional coordination.
P4	Target audience	Projects involving direct benefits to traditional communities, settlements and family farmers.	Not applicable	Not applicable
P5	Relevance	Projects with higher potential for replicability; Projects with higher potential impact (e.g. R\$/hectare of protected forest or sustainably managed).	Projects that develop and implement methodology for long-term monitoring for REDD.	Countries with larger forest coverage
P6	BNDES' application lines	Prioritizes projects that address the lines (a) sustainable production activities; and (d) scientific and technological development.	Not applicable	Not applicable

Notes:

P1 - The definition of these municipalities is carried out in accordance with Article 2 of Decree Nº. 6,321/2007.

P6 - The BNDES must make efforts to apply resources in priority areas, including Demand-driven induction tools.

TOPIC PRIORITIZATION – AMAZON BIOME

General guidance	Priorities
Efforts to value the forest (conservation and sustainable use)	<ul style="list-style-type: none"> a. promotion and increase in production scale of production chains of wood and non-wood forest products originating from sustainable forest management including plans for management, research, innovation, science and technology diffusion, market development, training and qualification; b. implementation of payment systems for environmental services associated with increase in and/or maintenance of forest coverage and/or forestry and agro-forestry systems; c. development and implementation of recovery models of APPS and Legal Reserve, with emphasis on the economic use; d. consolidation of protected areas, especially those for Conservation and Sustainable Use of indigenous lands;
Efforts to promote land-use planning and land-title regularization	<ul style="list-style-type: none"> e. allocation of Non-Designed Public Forests, prioritizing community forests; f. control of illegal occupation, land-title regularization and land-use planning, preferably in areas with larger concentration of wealth and/or conflict;
Efforts to structure and integrate control systems, environmental monitoring and surveillance in the Amazon	<ul style="list-style-type: none"> g. support to structure state agencies responsible for state forest management; h. support to implement local systems for monitoring and environmental inspection; i. structuring and integrating control systems for forest management, environmental licensing of rural properties as well as tracking and chain of custody of forest and agricultural products; j. expanding and strengthening systems to monitor deforestation and forest degradation.

Notes:

TP - c - The economic use of APPs will only receive support under the current legislation.

TP - f - Land-title regularization includes getting land titles legally into order and society's monitoring of such processes.

B. MINIMUM CONDITIONS FOR PROJECTS

Code	Criteria	Amazon Biome	Other biomes	Other countries
C1	Result indicators	Project must include result indicators that are measurable and directly related to the Amazon Fund.	Project must include result indicators that are measurable and directly related to the implementation of monitoring systems for deforestation or forest degradation.	Project must include result indicators that are measurable and directly related to the implementation of monitoring systems for deforestation or forest degradation.
C2	Applicants/ responsible party	Initial presentation of project must include consent from all applicants and responsible parties.	Same as Amazon Biome	Same as Amazon Biome and with the participation of and/or consent from the central government of the recipient country.
C3	Social participation	Projects involving traditional communities and indigenous peoples must mandatorily submit a document certifying the previous consent of these communities or their representative institutions.	Project must have an instance for monitoring, with the necessary participation of governmental organizations and civil society.	Project must have an instance for monitoring, with the necessary participation of governmental organizations and civil society.
C4	Consistency with Topic areas of the Amazon Fund	Project must fall into at least one topic area of Decree N°. 6,527/2008.	Not applicable	Not applicable

CONTINUE

CONTINUATION

Code	Criteria	Amazon Biome	Other biomes	Other countries
C5	Consistency with the Federal Plan and state Plans to Prevent and Control Deforestation	Project must show clear consistency with efforts provided in PPCDAM and state Plans to Prevent and Control deforestation.	Not applicable	Not applicable
C6	Consistency with PAS	Project must show clear consistency with the guidelines of PAS.	Not applicable	Not applicable
C7	Contribution to REDD	Project must contribute directly or indirectly to lead to REDD.	Same as Amazon Biome	Same as Amazon Biome
C8	Additionality of resources	Projects must represent Additionalities to public budgets aimed at the application areas of the Amazon Fund.	Same as Amazon Biome	Not applicable
C9	Counterpart	It must show consideration and/or non-financial contributions, demonstrating Additionalities to resources taken from the Amazon Fund and producing a multiplying effect for the fund's investments.	Same as Amazon Biome	Same as Amazon Biome
C10	Territorial basis	Projects must make its territorial basis for application explicit (state and, where applicable, municipality).	Projects must necessarily address the monitoring of forests of at least one biome completely.	Projects must necessarily address the monitoring of forests nationwide.

CONTINUE

CONTINUATION

Code	Criteria	Amazon Biome	Other biomes	Other countries
C11	Publicity and transparency	Projects must have a mechanism to disseminate its implementation on the internet.	Monitoring systems supported by the Amazon Fund must be made based on platforms that allow full disclosure, transparency and access to data produced, over the internet.	Monitoring systems supported by the Amazon Fund must be made based on platforms that allow full disclosure, transparency and access to data produced, over the internet.
C12	Project sustainability	Presents strategies to sustain the project's results after implementation.	Demonstrates ability to economically maintain the project after implementation	Demonstrates ability to economically maintain the project after implementation
C13	No concentration of resources	The amount invested in each of the four operating modalities should not be less than 10% or greater than 40% of available resources in the year. The amount paid for a single project must not exceed 10% of the total amount available in the Amazon Fund for the year.	Same as Amazon Biome	Same as Amazon Biome

CONTINUE

CONTINUATION

Code	Criteria	Amazon Biome	Other biomes	Other countries
C14	Benefits of collective use	<p>The results of projects for economic purposes should be for common or public use related to:</p> <ul style="list-style-type: none"> a. production infrastructure for collective use; b. studies and surveys with results available to the community; c. training and capacity-building open to the community; d. technological development with results; open to the community, where feasible; e. replicable innovation and practical application; f. other collective benefits identified in the assessment process of projects. 	Not applicable	Not applicable
C15	Do not replace other sources of funding	The resources of the Amazon Fund cannot replace other sources of funding available.	Not applicable	Not applicable

Notes:

C2 - Applicants must necessarily be national institutions from tropical countries, in accordance with their national laws.

C3 - Projects involving the development of monitoring systems must have a monitoring body, with necessary participation of governmental organizations and civil society.

C3 - The communities involved must be made explicit in the project.

C3 - Projects related to the duties of public bodies, or the establishment of public policies, do not necessarily need the consent of beneficiaries.

C5 - In the absence of state plan to prevent and control deforestation does not apply to criterion.

C9 - in applying C9 criterion, the following aspects may be considered:

- Average budget executed in the two previous years in the public budget invested in the proposed effort;
- Degree of resource provision in the public budget for the implementation of the effort;
- Forecast in annual plans of current government (PPAs).

C9 - The counterparts may be in the form of financial resources directly invested in the project or through provided infrastructure, staff and other indirect ways, except under the condition provided for in C9.

C11 - The BNDES will provide standardized tools for integration and dissemination of updated information on the implementation of all projects.

C. MODALITIES FOR APPLYING RESOURCES

Code	Criteria	Amazon Biome	Other biomes	Other countries
M1	Direct application – investment	Applications made directly by the project's responsible party, including through the use of third parties. Includes investments in buildings, equipment, training and capacity-building to establish initiatives.	Same as Amazon Biome	Same as Amazon Biome
M2	Direct application – cost	Applications made directly by the project's responsible party, including through the use of third parties. Includes travel expenses/field missions, individual or company consulting companies, field materials, communication, among others.	Same as Amazon Biome	Same as Amazon Biome
M3	Payment for environmental services	Payments made to providers of environmental services.	Not applicable	Not applicable
M4	Long-term continuous services	These are services that must be sustained over the long term to obtain long-term results such as monitoring deforestation or forest degradation, forest inventory, among others.	Not applicable	Not applicable
M5	Direct application	Indirect applications through aggregating initiatives of small projects, including funds and other organizations implementing projects.	Not applicable	Not applicable

Notes:

M4 - The continuous service projects may be up to 10 years and must have a continuous monitoring mechanism for its implementation and public disclosure of its results.

M1 to M4 - Projects may involve the use of more than one modality.

D. RESTRICTION OF USE OF RESOURCES

Code	Criteria	Amazon Biome	Other biomes	Other countries
R1	Daily allowances	No daily allowances may be paid to public employees (this restriction does not apply to research activities involving public research institutions).	Same as Amazon Biome	Same as Amazon Biome
R2	Payment of individuals	No payments may be made of wages or any remuneration to civil servants in an exclusive dedication system in the three spheres of government (the restriction does not apply to the payment of scholarships or fellowships specifically related to the project).	Same as Amazon Biome	Same as Amazon Biome
R3	Taxes and duties	Resources may not be used to pay charges or taxes that are not inherent and part of cost or investments made by the project (restriction does not apply to charges related to project activities, such as ICMS (State Value-Added Tax) included in product prices; INSS (Brazilian Institute of Social Security) on the payment of individual services, etc.).	Same as Amazon Biome	Same as Amazon Biome

E. FAIRNESS CRITERIA FOR USE OF RESOURCES

Code	Criteria	Amazon Biome	Other biomes	Other countries
E1	Fairness in use of resources per state	Avoids concentrating resources for projects in the same state.	Avoids concentrating resources for projects in the same biome	Avoids concentrating resources for projects in the same country
E2	Fairness per type of applicant	Avoids concentrating resources for types of applicants: public agencies, research institutions and civil society organizations.	Not applicable	Not applicable

Notes:

E1 - Option of not establishing specific indicators for concentration of resources in exclusive projects from one state during the first year of operation of the Amazon Fund.

E2 - In the context of the Amazon Fund, civil society includes non-governmental organizations, employee representative entities, businesses and other private institutions.

F. LIMITATIONS ON USE OF RESOURCES

Code	Type of project	Amazon Biome	Other biomes	Other countries
L1	Projects for economic purposes	<p>a. Maximum participation of the Amazon Fund:</p> <p>90% for projects involving micro and small enterprises, cooperatives or associations of producers with annual gross operating revenues less than or equal to R\$ 10.5 million;</p> <p>70% for projects involving medium-sized enterprises, cooperatives or associations of producers with annual gross operating revenues greater than R\$ 10.5 million and less than or equal to R\$ 60 million;</p> <p>50% for projects involving large enterprises, cooperatives or associations of producers with annual gross operating revenues greater than R\$ 60 million.</p>	Not applicable	Not applicable
L2	Projects for economic purposes to support vulnerable social groups	<p>b. Maximum participation of the Amazon Fund in duly justified cases: 100%</p>	Not applicable	Not applicable
L3	Projects for economic purposes of local production arrangements (APLS) for collective use	<p>c. Maximum participation of the Amazon Fund: 90%</p>	Not applicable	Not applicable

CONTINUE

CONTINUATION

Code	Type of project	Amazon Biome	Other biomes	Other countries
L4	Projects for economic purposes of scientific and technology research developed in cooperation with Technology institutions (ITS) and entities for economic purposes	<p>d. Maximum participation of the Amazon Fund: 90% for projects involving micro and small enterprises, cooperatives or associations of producers with annual gross operating revenues less than or equal to R\$ 10.5 million; 80% for projects involving medium-sized enterprises, cooperatives or associations of producers with annual gross operating revenues greater than R\$ 10.5 million and less than or equal to R\$ 60 million; 70% for projects involving large enterprises, cooperatives or associations of producers with annual gross operating revenues greater than R\$ 60 million.</p> <ul style="list-style-type: none"> • Beneficiaries of the financial resources of the Amazon Fund will be the Technological institutions (ITAS) and/or supporting institutions (IAs). • Companies and/or other entities for economic purposes with strategic interest in research will not be direct beneficiaries of resources. They will be involved in financing operations and must inject financial contributions complementing the resources of the Amazon Fund. 	Not applicable	Not applicable

Notes:

L1 and L4 - In the event activities begin in the same calendar year, the above limits will be proportional to the number of months in which the company carried out activities, disregarding fractions of months. In the event companies are still setting up, the annual sales forecast used in the project will be considered, taking into account the total installed capacity. In the case a company is controlled by another company or belongs to an economic group, the size classification will be considered through the consolidated gross operating revenue.

L2 - The economic results arising from projects to support vulnerable social groups must be distributed to these members, regardless of who the applicant is.

L4 - Technology Institution (IT): a company governed by public law or another directly or indirectly controlled by it or private non-profit company, whose institutional mission, among others, is to perform activities of basic or applied research of a scientific or technology nature, as well as technological development.

L4 - Supporting Institutions (IA): non-profit institutions created for the purpose of supporting projects for research, education and extension and institutional, scientific and technological development of interest to higher education institutions, scientific and technological research institutions, and institutions created under Law N°. 8,958, of December 20, 1994, which have this same purpose.

L4 - Investments for the benefit of the Institution Technology (IT) are eligible for support, with the specific purpose of meeting the project's objectives.

L4 - Participation in intellectual property and economic results from creations resulting from a project will comply with the provisions set forth in the Innovation Law (Law N°. 10,973, December 2, 2004). Thus, the parties must establish, in a contract, the ownership of intellectual property and profit sharing. These will be ensured, as long as provided for in the contract, in the proportion equivalent to the amount of value added stemming from knowledge already existing at the beginning of the partnership, as well as human and financial resources, and also materials allocated by the parties in the project.

L4 - During the analysis stage, the BNDES will examine issues related to intellectual property rights resulting from the research project, development and innovation in order to avoid, where appropriate, restrictive practices of use and transfer of those rights. Besides the aspects mentioned, the BNDES will also verify, in the analysis stage, the criteria for assessing financial results of the project.



PORTFOLIO OF PROJECTS

From June 2009 to December 2011, the Amazon Fund had already approved the allocation of resources for financial support to 23 projects, amounting to R\$ 260,730,294.90, of which five were in 2009, eight in 2010, and 10 in 2011.

These projects are located in the states of the Legal Amazon, involving more than 130 municipalities (25% of the municipalities in the Amazon Biome) – including 29 that are included on the list of Priority Municipalities for preventing, monitoring and combating deforestation –, and they benefit the local population and family farmers, besides indigenous peoples, riverside and quilombola communities (maroon). The implementation period for projects varies from one and a half years to five years.

Year	Projects approved	Support value (R\$)
2009	5	70,339,010.00
2010	8	119,891,704.43
2011	10	70,499,580.47
Total	23	260,730,294.90

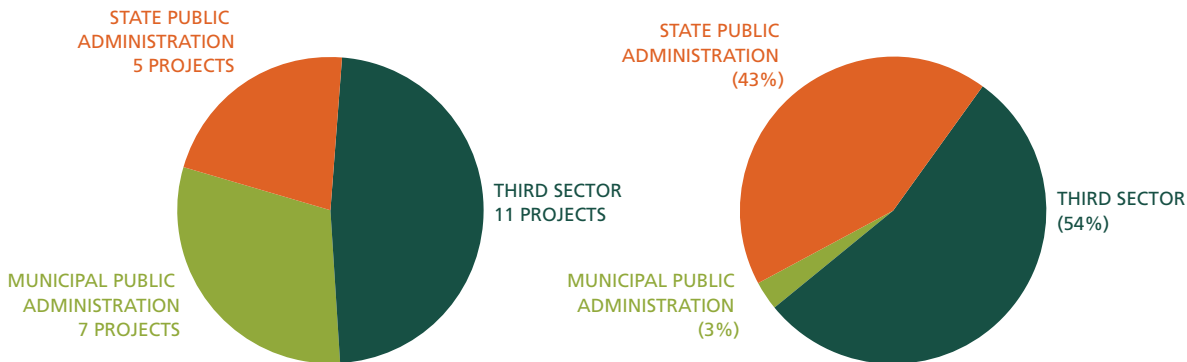
In its conception, approved projects have different approaches, but are consistent with efforts. They contribute directly or indirectly to reducing CO₂ emissions resulting from degradation and deforestation, always in keeping with public policies for environmental management.

This set of projects includes fostering sustainable production activities, environmental and land-title regularization, monitoring rural properties,

recovering degraded and permanent protection areas, consolidating and maintaining conservation areas, strengthening institutions and structuring the physical and operational aspects of government agencies for environmental management.

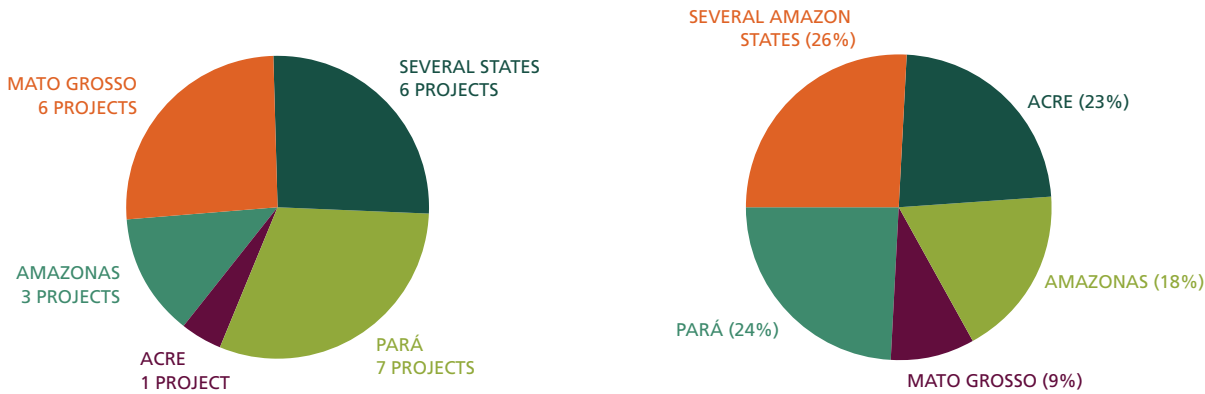
Chart 3 illustrates that 11 of the 23 projects are from third-sector institutions (48%). The other approved projects originated in the public sector, of which 30% came from municipal public administration and 22% from state public administration. Concerning the total values of approved projects. Chart 4 shows the low percentage of the total amounts in projects in municipal public administration, equivalent to 3%, or R\$ 7,434,377.20, which is justified by the low average value per project, approximately R\$ 1,062,053.89.

CHARTS 3 AND 4: TOTAL NUMBERS AND VALUES OF PROJECTS APPROVED PER LEGAL ENTITY



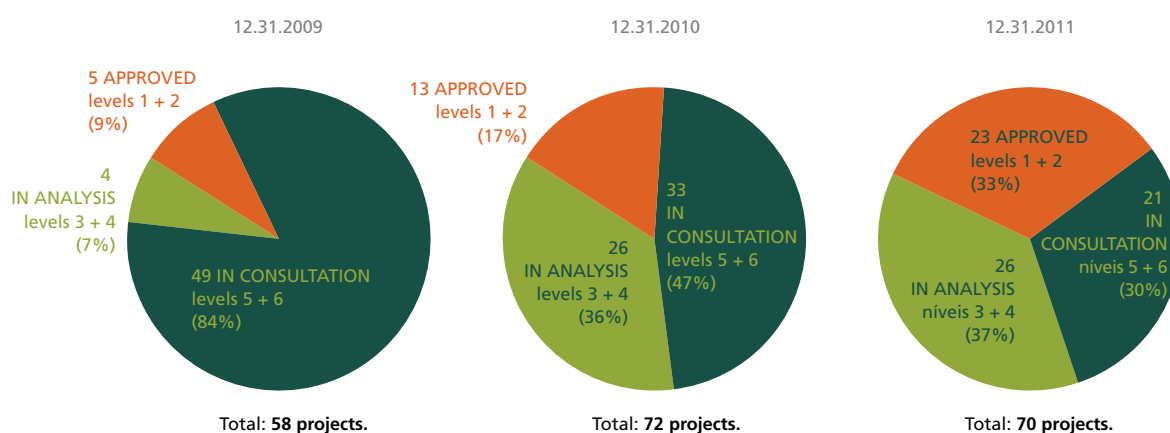
Charts 5 and 6 focus on projects approved within the perspective of their territorial scope. Based on them, we can see that 57% of the total number of approved projects (13) is located in the states of Pará and Mato Grosso, which can be partially explained by the fact that the approved projects from the municipal public administration are from these states. Concerning the total amounts for the projects approved, we can see that there is no concentration of resources in any of the states of the Amazon Biome, as recommended by the Summary Tables of guidelines and criteria for application of the Amazon Fund (see chapter on Governance in 2011).

CHARTS 5 AND 6: TOTAL NUMBERS AND VALUES OF PROJECTS APPROVED PER STATE



The evolution of the active portfolio of operations (in consultation, analysis and approved)⁵ considering the data on 12.31.2009, 12.31.2010 and 12.31.2011, is shown in charts 7, 8 and 9:

CHARTS 7, 8 AND 9: EVOLUTION OF THE NUMBER OF PROJECTS PER STATUS IN THE BNDES' OPERATIONAL PORTFOLIO



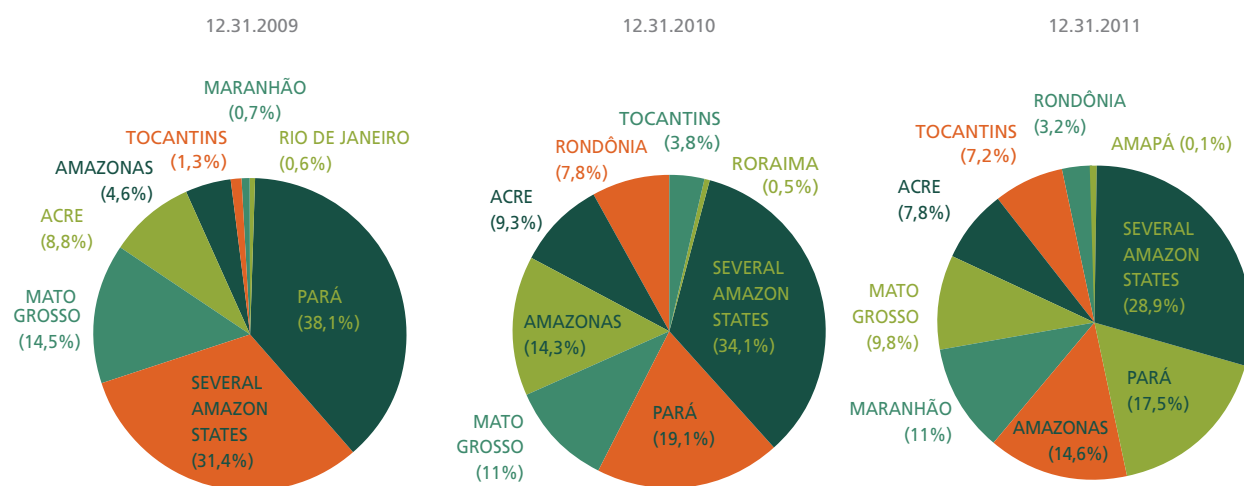
These charts show that in 2011 the number of approved projects grew 77% compared to 2010 (from 13 to 23 projects), corresponding to approximately one third of the active portfolio of operations in the Amazon Fund. Moreover, the number of projects that were under technical analysis by the team from the Amazon Fund on 12.31.2011 (26 projects) remained at the same level as the end of 2010, that is, more than six times greater than the total being analyzed at the end of 2009.

Another important finding concerns the distribution of amounts requested from the fund (charts 10, 11 and 12). In December 2011, the state of Amazonas second place among the largest Applicants for financial assistance from the Amazon Fund. Projects in areas located in the territories of the states of Amazonas, Pará, Mato Grosso and Maranhão together represented approximately 67% of the

⁵ Active operations are requests for support (projects) that are in the portfolio from the BNDES/Amazon Fund.

amount of requests (47 projects) and almost 53% of the total resources requested (approximately R\$ 500,156,402.81 from a total of R\$ 945,961,264.74). These four units of the federation include, together, over 81% of the total area of the Amazon Biome in Brazil.⁶

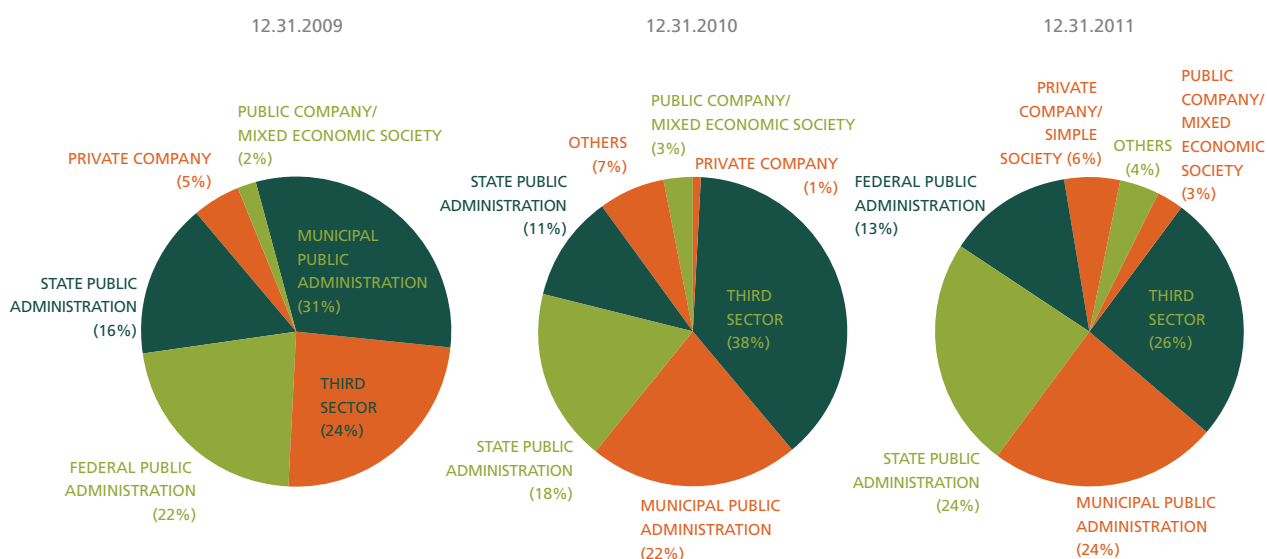
CHARTS 10, 11 AND 12: EVOLUTION OF THE DISTRIBUTION OF THE VALUE REQUESTED BY STATE



Regarding the legal nature of applicants, the project portfolio was less concentrated on 12.31.2011. At the end of 2009, some 69% of active projects were from the public sector. At the end of 2011, this percentage was 61%. In contrast, the number of projects in the portfolio presented by the third sector rose from 14 in 2009 to 18 in 2011 (26% of total). On 12.31.2009 and 12.31.2010, projects presented by companies represented, respectively, 7% and 4% from the portfolio of projects. On 12.31.2011, this percentage was 9% (six projects). These observations are illustrated in charts 13, 14 and 15.

⁶ Available at <www.ibge.gov.br>.

CHARTS 13, 14 AND 15: EVOLUTION OF THE NUMBER OF PROJECTS PER APPLICANT'S LEGAL NATURE



The evolution of the portfolio of projects demonstrates the learning curve characteristic of the initial period of operation, two and a half years after the Bank had received the first requests for financial support. This process tended to intensify in 2012, enabling the necessary progress towards the intended changes to the Amazon Fund.

One aspect that exemplifies this learning curve emerges when looking at the number of requests that did not result in the BNDES' operational flow, that is, their requests for financial support were initially denied.

Denying requests for assistance was mainly caused by the following:
efforts failed to conform to the Amazon Fund's standards – eligible areas, guidelines, criteria and

minimum conditions set forth by COFA and the BNDES' operating policies for application of resources; insufficient and inconsistent information related to the implementation of projects; inappropriate costs; issues related to registration status; as well as management and implementation capacity of the institution and its leaders.

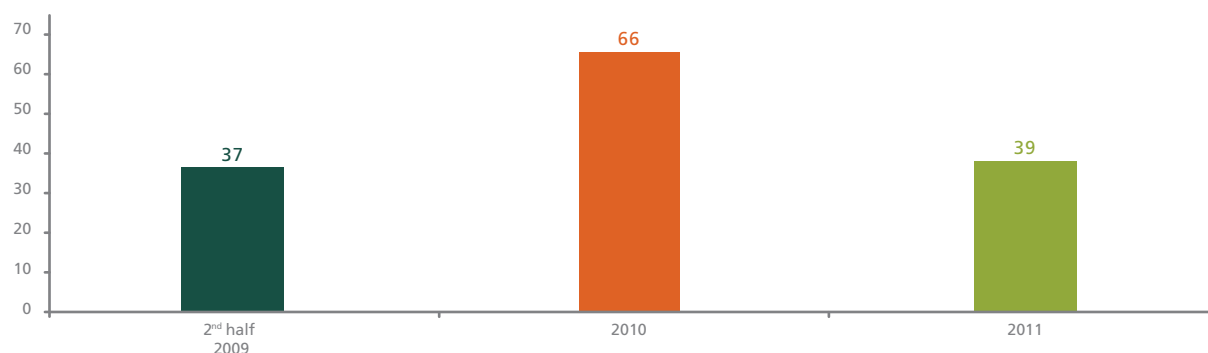
These issues were identified in the preliminary assessment of applications, which is part of the BNDES' total analysis process and which involves initial contact between teams and the candidates, besides the examination of documentation and additional information on the projects.

Whenever requested by applicants, the BNDES provides guidance to reformulate projects so they may be resubmitted in the correct format. Moreover, in 2010 and 2011, an extra effort was made to improve the communication process, including the improvement of request models for financial support. Thus, by the end of 2011, some 31 consultations initially denied due to inappropriateness were rewritten and resubmitted to the Amazon Fund.

The results were noteworthy in 2011, when there was a decrease in the number of requests denied, demonstrating the higher suitability and qualification of proposals submitted to the fund. This result was brought about both by the BNDES' specific management efforts and the organization of partners with representations in COFA, other agents and engaged audiences, who all contributed to the intense discussions and fostering workshops, which expanded the disclosure and knowledge on the objectives and the possibility of financing from the Amazon Fund.

Chart 16 represents the period from July 2009, when the BNDES began to receive requests for financial assistance, to December 31, 2011. We can see the change in trend, highlighted earlier, with greater harmony of proposals received. During the period observed, the fund received 212 requests, of which 142 were denied.

CHART 16: NUMBER OF CONSULTATIONS DENIED UP TO 12.31.2011



Total: 142 requests denied.

FINANCIAL PERFORMANCE

As provided in the donation contracts, the donator's disbursements are made semi-annually, or in less time, upon written request from the BNDES. This request must be based on the financial needs in the Amazon Fund. The remaining amount (3% of donations), as determined in Decree N°. 6,527/08, is for reimbursing operational costs and administrative expenses related to the management of the Amazon Fund.

In March 2010, the BNDES' board of directors defined which costs and expenses of the Amazon Fund (traveling, secretary of COFA, specific contracting to attend COFA meetings, auditing, advertising etc.) can be paid using the 3%, as well as approving related procedures and relevant ledger accounts. Aiming to bring more transparency to the allocation of resources available to the fund, the BNDES has chosen to only allocate the spending clearly related to the fund to the 3%. In 2011, these costs and expenses amounted to approximately R\$ 713,000. Thus, some

administrative costs incurred by the BNDES, such as personnel expenses, are not considered as coming from the Amazon Fund and are paid in full by the Bank's own resources.

The following tables summarize the status of resources received to be used in projects supported by the Amazon Fund. The values were recorded based on Brazilian accounting standards and current legislation.

TABLE 6: BALANCE SHEET AS AT 12.31.2011 (R\$ IN THOUSANDS)

Assets		Liabilities and Net Equity	
Current		Current	
		Resources of projects*	39,934
Gaia Fund (97%)	39,934		
Resources for costing (3%)	1,263	Net Equity	
Income receivable	3	Accumulated surplus	1,266
Total Assets	41,200	Total Liabilities and Net Equity	41,200

* The account balance from the "Project Resources", recorded in Current Liabilities, is the sum of 97% of the amount received from donators and the remuneration related to them, the amount that the Amazon Fund is required to implement in projects.

TABLE 7: NET INCOME FOR 2011 (R\$ IN THOUSANDS)

Revenue	
Revenue from donations for investments (disbursements to projects)*	59,740
revenue from donations for costing (3% of value received for the year – principal)	219
financial income (yields from financial investments related to 100% of availability)	8,344
	68,303
(-) Expenses	
Expenses with donations for investment (project releases)*	-59,740
Payment expenses for project resources**	-8,184
administrative expenses	-713
	-68,637
Deficit for the period	-334

* As understood by the Regional Federal Revenue of Brazil from the 7th RF, the comparison of revenue and expenditure for calculating the incidence of Income Tax (IR) and Social Contribution on Net Income (CSLL) on donations to the Amazon Fund will be made in equivalent values, to cancel each other out on the date and in exact amount of releases of resources in supported projects.

**Debt payments, corresponding exactly to gains from investing in the Gaia Fund.

Request and use of resources donated

In July 2011, the BNDES issued an internal standard establishing the guiding principles and rules for the Bank when using donations received and when requesting new financial resources from the donation contracts.

Given that the Amazon Fund has more than one donator and that donations can be made through instant donations and deferred contracts, it became necessary to structure an order for disbursement requests to donators and also to establish criteria for using amounts available in the Gaia Fund.⁷

⁷ These principles and rules can be found in Annex 4 of this Annual Report and on the Amazon Fund's website.

Audits

Annually, the Amazon Fund undergoes three audit processes. The first occurs in the external audit of the BNDES' financial statements because the fund's accounts, with its accounting and non-business nature, are allocated in the Bank's accounting records. To comply with the requirement set forth in Decree N°. 6,527/08 and in contracts to attract donations, the BNDES has contracted the following services:

1. Financial audit: to evaluate the accuracy of the balances recorded in the Financial Statements of the Amazon Fund, as well as the adjusting the allocation of these balances in the BNDES' Financial Statements. This audit focuses on the amounts deposited in the Gaia Fund, from Banco do Brasil, which is an application fund with a conservative profile contracted to remunerate and maintain the monetary correction to installments donated and effectively entering the country. Verification also covers the contracts with beneficiaries, the resources disbursed from the Gaia Fund, which are earmarked for use in supported projects, as well as expenses incurred in the management of the fund; and
2. Compliance audit: to assess if the supported projects, given their forecast goals, products, services, and efforts, are in accordance with the provisions in Decree N°. 6,527/08, COFA guidelines and criteria, Sustainable Amazon Plan (PAS) and Plan of Action to Prevent and Control Deforestation in the Legal Amazon (PPCDAM).

Procedures for the 2011 financial audit were conducted by Deloitte Touche Tohmatsu. This auditor verified the adjustments to account balances shown by the BNDES.

The opinion of the auditors for 2011 is in Annex 3 of this report.



As manager of the Amazon Fund, the BNDES maintains direct dialogue with several stakeholders, with the continuous goal of providing transparency to its activities, obtaining donations and establishing partnerships aimed at improving its efforts.

Among these efforts, we can highlight the 36-month technical cooperation agreement of the Amazon Fund with the German technical cooperation agency (GIZ), signed in August 2010, whose work plan is founded on achieving the following specific objectives and expected results:

- applicants with higher institutional capacity to develop and implement projects for the Amazon Fund;
- instruments for monitoring results and impacts from the enhanced projects;
- strengthening international cooperation in the fund, including identifying opportunities for implementing projects in other countries;
- knowledge from comparative experience in the development of science and technology policies, especially in the biotechnology area;
- identification of opportunities in sustainable production activities; efforts for the conservation and sustainable use of biodiversity; environmental services; efforts with traditional people, communities and indigenous lands; land-use planning and recovery of deforested areas; and
- identification of innovative financial mechanisms.

In 2011, under this agreement, eight lectures were held with the participation of national and international experts with extensive experience in the subjects covered.

The choice of subjects presented throughout the year focused on issues that fall within the scope of the activity of the Amazon Fund, such as indigenous issues and access to genetic resources (see complete list in the table 8).

TABLE 8: SUBJECT OF LECTURES GIVEN IN 2011

Subject	Lecturer(s)	Month
1. GIZ Rainforest Program	Helmut Eger – GIZ Waldemar Wirsig – GIZ Eugênio Pantoja – GIZ	April
2. Impact monitoring and assessment	Martin Rapp – GIZ	April
3. Rural Environmental Registration (CAR)	Valmir Ortega – C.I. Heliandro Maia – GIZ	July
4. Ecological-Economic Zoning (ZEE)	Eufran Amaral – EMBRAPA	July
5. Access to genetic resources and benefit sharing	Francine Cunha – MMA/DPG	August
6. Protected areas and conservation units	Cláudio Maretti – WWF	October
7. Indigenous issues in the Amazon	Henyo Barreto – IIEB	November
8. Payment for environmental services (PSA)	Jan Börner – Cifor	December

We can also highlight COFA's creation, in 2011, of the commission for Detailing and Structuring projects, responsible for shaping the public calls-to-bid for sustainable production projects in the Amazon Fund, launched in the first quarter of 2012.⁸

⁸ More information on the Commission for Project Detailing and Structuring are in the Governance chapter in 2011.





COMMUNICATION EFFORTS IN 2011

The Amazon Fund maintains a comprehensive system of communication with its several audiences and partners. This relationship is made possible through a variety of tools: the institutional website (www.fundoamazonia.gov.br) and e-mail (fundoamazonia-faleconosco@bndes.gov.br), newsletters, portfolio reports, among others. The BNDES' team also takes part in various types of events as a way to disclose the efforts of the Amazon Fund and to be accountable to donors and society.

In 2011, we can highlight the participation of the Amazon Fund in the following events.

► **Advances and challenges for Forest Policy in Brazil: REDD+ and Forest Management**

February 2 to 11 – State of Rio de Janeiro

Seminar promoted by the World Bank and organized by the Amazonas Sustainable Foundation (FAS), which brought together, at the BNDES' headquarters, representatives from six African countries (Cameroon, Central Africa Republic, Democratic Republic of Congo, Gabon, Madagascar and the Republic of Congo), who came to Brazil to learn the Brazilian experience in projects to reduce deforestation and forest management.

► **Oslo REDD Exchange 2011**

June 23 and 24 – Oslo, Norway

Seminar promoted by the international initiative on forests and climate in Norway aimed to promote exchanges of experience in the REDD+ field. During

the event, Sergio Weguelin, deputy managing director from the BNDES' Environmental Division, gave a presentation on the safeguards of the Amazon Fund.

► **Environment Panel: a Private Social Investment Strategy**

June 29 – State of Rio de Janeiro

Initiative from the Group of Institutes, Foundations and Enterprises (GIFE) that aimed to share information and discuss practical applications and prospects for the REDD mechanism in Brazil and worldwide. Claudia Costa, head of the Amazon Fund Management, gave a presentation on the functioning of the Amazon Fund and participated in the debate on models for implementing REDD.

► **Environmental Funds Roles in REDD+ Projects**

July 5 to 7 – Itaipava, State of Rio de Janeiro

Workshop promoted by the Latin America and Caribbean Network of Environmental Funds (REDLAC) in order to discuss, based on real examples, how environmental funds can affect the carbon market and REDD+ projects. It was attended by representatives from nine countries: Brazil, Colombia, Congo, United States, Kenya, Madagascar, Panama, Paraguay and Peru. On the occasion, a presentation was given on the objectives and operational form of the Amazon Fund.

► **Recovery of Degraded Areas of Permanent Preservation and Management of Pastures in the Amazon Portal**

August 25 and 26 – City of Alta Floresta, State of Mato Grosso

Meeting organized by the city of Alta Floresta, State of Mato Grosso, to discuss the techniques and methodology to be employed in the areas benefited by the Olhos d'Água da Amazônia project, an initiative supported by the Amazon Fund (see details in the Supported Projects chapter).

► Sustainable Forest Management in Pará

September 10 to 12 – Paragominas, State of Pará

Field workshop organized by the Floresta Tropical Institute (IFT) on sustainable forest management in the of Roberto Bauch Forest Management center (CMF), located in Paragominas, in eastern Pará. The course was attended by members from the International Finance Corporation (IFC), an institution linked to the World Bank, and representatives from the Department of Management of the Amazon Fund.

DIALOGUE WITH THE AUDIENCE

Throughout 2011, via the e-mail fundoamazonia-faleconosco@bndes.gov.br, we received and answered 109 queries from the states of the Legal Amazon, from other Brazilian states and from abroad. Consultations from the Legal Amazon states accounted for 61%; those from other Brazilian states, 33%; and those from abroad, 6% of the total, as illustrated by the charts below.

CHART 17: ORIGIN OF QUERIES

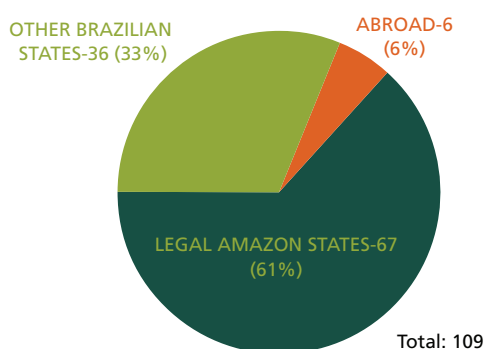
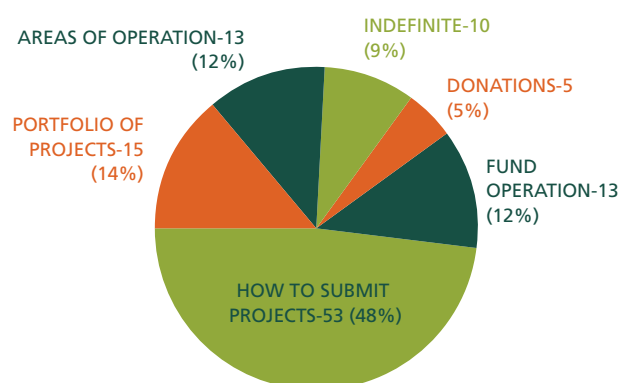
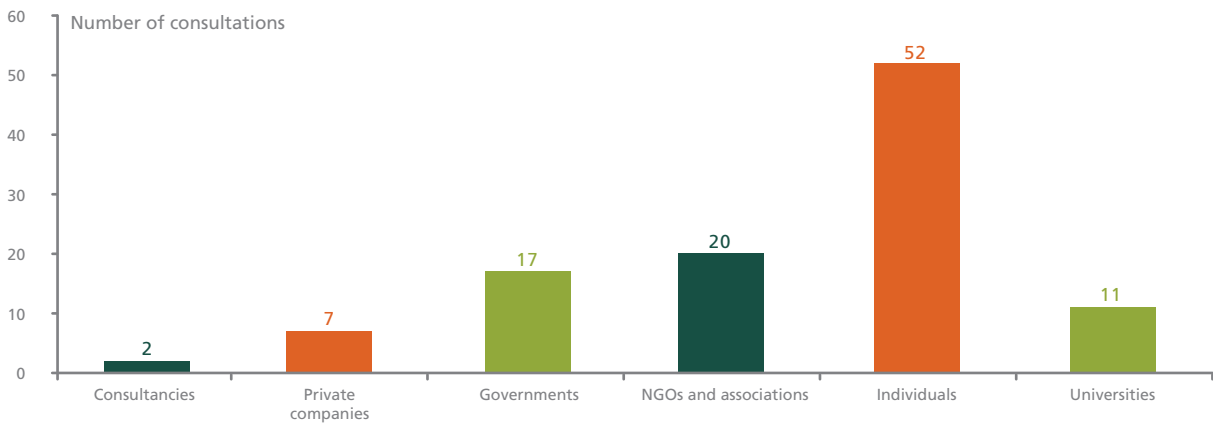


CHART 18: ISSUES ADDRESSED



From the 109 consultations, approximately 53 were requests for information on how to submit projects, 15 were requests for additional information on the portfolio of projects, 13 were related to the functioning of the Amazon Fund, and 13 others, to the fund’s areas of expertise. Of the remaining 15, five were related to donations and 10 to different subjects.

CHART 19: DEMAND ORIGIN







LOGICAL FRAMEWORK OF THE AMAZON FUND

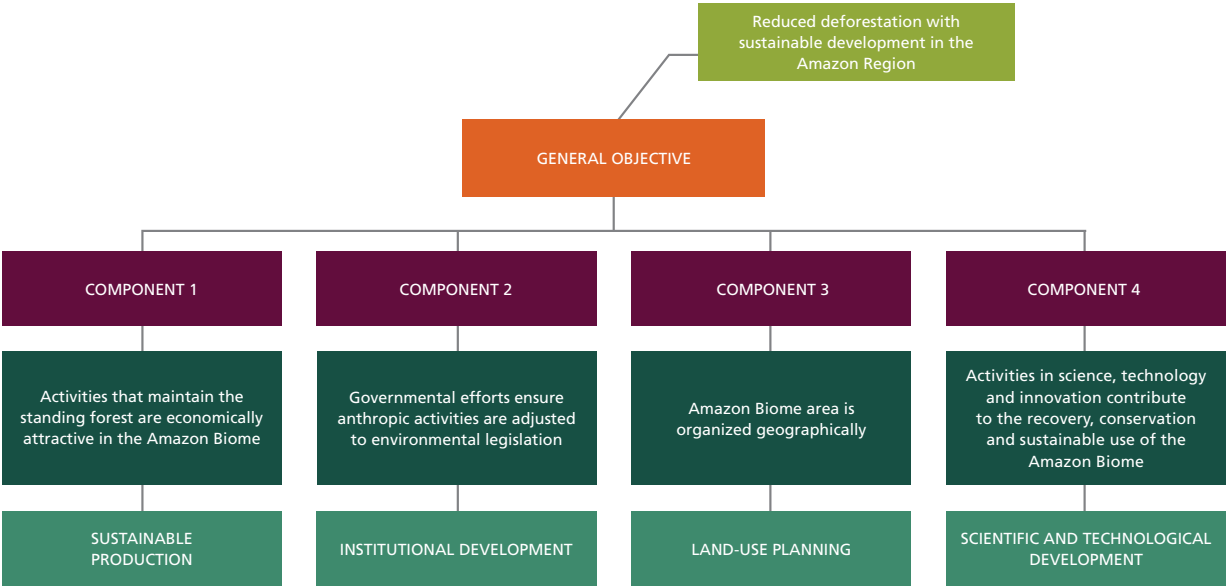
The Amazon Fund uses the Logical Framework for planning, management, monitoring and assessment. It aims to contribute to the fund's best performance, as it enables the collection and consolidation of data from indicators for implementation and effectiveness of efforts that measure the supply and use of products and services from supported projects, as well as measuring the quality and quantity of results achieved.

The Logical Framework of the Amazon Fund was established in 2009 and consolidated in September 2010. Its construction was carried out internally at the BNDES and with the collaboration of several outside parties.

Given the range of operational areas in the Amazon Fund, its Logical Framework was structured, as illustrated in Figure 1, in components 1, 2, 3 and 4, which result in four specific Logical Frameworks that share the same overall objective.⁹

⁹ In the definition of General Purpose (Strategic Target) of the Amazon Fund, a summarized proposition was put together, focusing on this biome, without preventing the Amazon Fund from providing support for monitoring in other (Brazilian) biomes and in other tropical countries.

FIGURE 1: LOGICAL FRAMEWORK OF THE AMAZON FUND AND ITS COMPONENTS

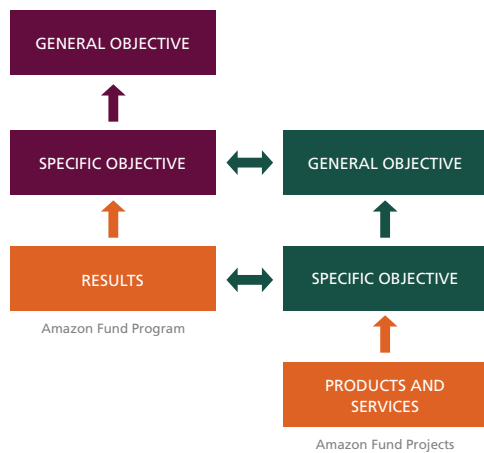


INCLUSION OF PROJECTS IN THE LOGICAL FRAMEWORK OF THE AMAZON FUND

Both the Logical Framework of the Amazon Fund and the logical frameworks of projects financed by it have the same structure: results (or Products and Services) lead to specific goals that, in turn, contribute, through their enabling effects, to achieving the overall objective (Strategic Target).

The only difference lies in the hierarchical level, given that projects carry out efforts, while the program carries out lines of action. The specific objective of each project must be related to one of the lines of action (Results) in the Amazon Fund to be supported (see Figure 2 below).

FIGURE 2: STRUCTURE OF THE LOGICAL FRAMEWORK OF PROJECTS



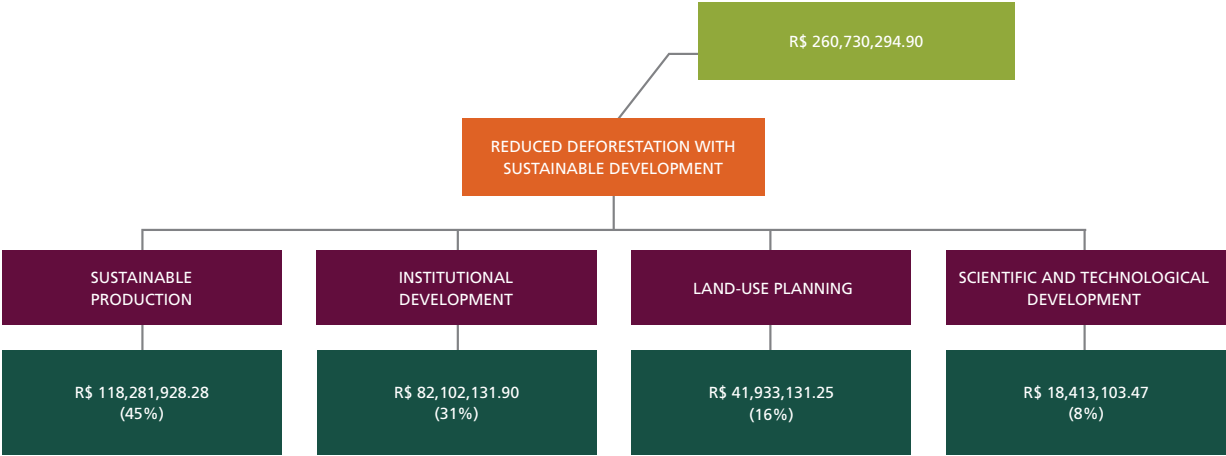
The first Amazon Fund projects were approved in 2009, before the Logical Framework was completed. Subsequently, specific logical frameworks were built for all projects supported by the fund, together with the beneficiaries, always in a participatory fashion. Currently, each new approved project has its own logical framework, built consensually by the BNDES together with the beneficiaries.



Distribution of Amazon Fund projects per component in the Logical Framework

Figure 3 illustrates how the 23 projects approved up to 12.31.2011 are distributed throughout the four components in the Logical Framework of the Amazon Fund.

FIGURE 3: DISTRIBUTION OF RESOURCES ACCORDING TO COMPONENTS IN THE LOGICAL FRAMEWORK



Expected Results

Implementation deadlines for projects supported by the Amazon Fund vary from one and a half to five years. We present below the products and services to be provided by the 23 projects already receiving support from the fund, considering the main physical targets set forth for them. It is worth remembering that physical targets were not always quantified for all products and services and that some of these goals may be modified or may not be fully achieved.

All these projects will have impacts on some 130 municipalities in the Amazon Biome (25% of the municipalities of this biome), of which 29 are on the list of municipalities where priority efforts are focused on preventing, monitoring and controlling illegal deforestation.

The Amazon Fund will contribute to the consolidation of 82 federal and state conservation units, with a total area of 420,000 km². Benefited conservation units are equivalent to 33% of the total area of all federal and state conservation units in the Legal Amazon today.

Environmental projects will benefit 7,000 indigenous people from the Kayapó ethnicity, and 106,000 km² of their territory will be monitored, which equates to 10% of the indigenous lands in the Legal Amazon.

The sum of the areas including conservation units and indigenous territories benefiting from heightened environmental management and territory control from Amazon Fund support comprises 526,000 km², which is equivalent to approximately three times the length of the state of Acre.

Also, we can mention that the Amazon Fund will contribute to creating new conservation units amounting to 135,000 km², which will be an 11% increase in the total area of federal and state conservation units in the Legal Amazon.

Fund support provides for the physical and operational structure of 52 environment agencies in the region, including renovation and construction of buildings, purchase of computers and other equipment, vehicles, boats, GPS, furniture, construction or expansion of municipal nurseries, training of employees etc.

There will be training for 17,032 small farmers and inhabitants of traditional communities, including indigenous people, with 339 capacity-building workshops and 91 awareness and integrating events in agro-forestry systems, forestry and pasture management, seed collection and processing, preparation of environmental projects, among other such initiatives.

Projects supported by the Amazon Fund will offer 6,100 efforts in technical assistance to farmers while support is being offered to formulate and implement 2,200 projects in sustainable production in rural properties.

Rural properties with an area equal to 100,000 km² (10,000,000 hectares)¹⁰ must be ready to join the Rural Environmental Registry. The size of this area is equivalent to approximately 60% of the total area of the state of Acre. For membership, efforts are aimed at persuading and mobilizing landowners, collecting data on rural properties, their geo-referencing, as well as helping landowners with the documentation.

In the three projects, some 12,569 families will benefit from payment programs for environmental services (Bolsa Floresta).

These are some of the products and services to be delivered by the projects approved by the Amazon Fund.

Monitoring Amazon Fund projects

In addition to using the Logical Framework as a tool for planning and managing projects supported by the Amazon Fund, the other BNDES internal standards for monitoring operations are adhered to in order to prevent or resolve situations that endanger the implementation of these projects.

The period for monitoring each operation starts as of the moment the contractual instrument is signed and continues up to the completion of obligations assumed in said contract.

The maximum interval between the dates for preparing monitoring instruments by the BNDES is 12 months. To support this work, the beneficiary of financial assistance from the Amazon

¹⁰ Membership to the Rural Environmental Registry is an important step in the process of environmental regularization of rural properties.

Fund must submit performance reports on the project, including, among others, the following information: (a) summary of major events during the stipulated period; (b) table of uses and sources of the project, indicating the total performed in the period and accumulated; (c) table of physical implementation of the project; (d) documental proof that the company has its tax and labor obligations in order.

The BNDES' monitoring includes the following activities, among others: (I) verification of physical and financial implementation of the project through visits to the project site, when necessary; (II) analysis of beneficiary's financial data; (III) verification of compliance with conditions established in contractual instrument; (IV) adherence to recommendations for monitoring, established in the Operational Analysis Report and the previous monitoring report; and (V) recommendations for later monitoring, when necessary.

Each release of funds subjects the beneficiary of financial assistance to verification for compliance with relevant contractual provisions and clauses. At the BNDES' discretion, a monitoring visit will be carried out prior to the release, and the recipient must also be on time with the physical and financial implementation of the project and the performance report.



PROJECTS 2011

Project: Anapu Rumo ao Selo Verde

Territorial coverage	Municipality of Anapu, state of Pará
Responsible for the project	Municipality of Anapu, state of Pará
Beneficiaries	Local population
Objective	To structure and modernize the municipal Department of Environment and Tourism of the municipality of Anapu, so the municipality can obtain the "Green municipality" seal
Project total value	R\$ 497,270.00
Value of the support from the Amazon Fund	R\$ 431,940.00
Period of execution	24 months (from the date of the contract)
Situation on 12.31.2011	Approved on 11.29.2011
Amount disbursed (up to 12.31.2011)	-

Context

The municipality of Anapu is located in the southwestern mesoregion of Pará and in the microregion of Altamira. It has its origins in the occupation of the Amazon, driven by the national integration plan established in 1970, and by the construction of the Marabá-Altamira Transamazon highway. The main access road to the city is via an unpaved road from the city of Altamira, which is 133 km away.

The municipality was formally established by State Law No. 5,929, of 12.28.1995, although it was dismembered from the municipalities of Pacajá and Senador José Porfírio and established as its own territory in 1.1.1977.

Anapu is located 374 km from Belém. Its territory covers 11,895 km² and it has a population of 20,543 inhabitants (2010 Census, IBGE), which equals to a population density of 1.73 inhabitants/km². The Municipal Human Development Index (HDI-M), as measured by the United Nations Development Programme (UNDP) in 2000, was of 0.645, corresponding to an average HDI-M.

In 2009, the municipality recorded a production of 161,000 m³ of timber valued at R\$ 17,655,000.00 (IBGE), which shows the importance of this activity in generating local income. The livestock sector is also relevant in Anapu, which is evidenced by the presence of 178,000 head of cattle in the municipality (IBGE).

Intervention Logic

The project aims to strengthen the Municipal Office of Environment and Tourism (SEMMAT) to better exercise municipal policies on monitoring, controlling, planning, supervising and licensing environmental activities. With this, the City Hall of Anapu will physically and operationally structure SEMMAT by building its own headquarters, acquiring operational and support equipment and training its employees.

Currently, SEMMAT works in a rented house. The construction of new headquarters for their offices will take place on land owned by the municipality.

The training of SEMMAT's technical staff includes the completion of courses on the following topics: georeferencing, management and control, legislation and enforcement, environmental education, and monitoring and assessment of projects.

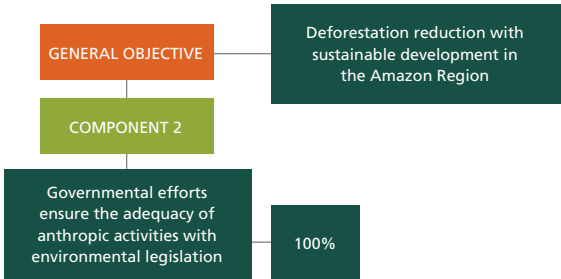
There is a concern in the municipality to develop activities that do not put pressure on forest deforestation. That is why the project includes training activities for projects of sustainable forest management, and also provides technical assistance to producers and seminars to encourage: reforestation of deforested areas, cultivation without burning, and community and sustainable forest management.

Also being planned, is an effort aimed at the construction of municipal environmental legislation, specifically on the Local Environmental Plan.

Expected Result

- Municipal environmental management strengthened through the physical and operational structuring of SEMMAT, ensuring the sustainable development of the municipality of Anapu.

FIGURE 4: INTERVENTION LOGIC



The municipality of Anapu has been developing projects that generate jobs and income and that have a social impact and do not harm the environment. To this end, its office of agriculture is fostering agricultural mechanization to enhance and improve the production of technologies in lands that have already been altered, therefore reducing the need for the clearing of new forest areas for production.

In Anapu, there are two Sustainable Development Projects (PDS): Virola Jatobá and Esperança. The PDSs have been implemented by the National Institute of Colonization and Agrarian Reform (INCRA) since 1999, in the northern region, where farmers are advised to sustainably use the forest. In this way, we have sought to implement a new organizational model for agrarian reform, seeking to combine social, cultural and economic development of settled families with the proper use and management of land and natural resources.

Both Projects on Sustainable Development from Anapu had the support of the Catholic church, mainly from the late Sister Dorothy Stang, which made them possible. The PDSs are characterized by the development of environmentally sustainable activities. They are intended for the people whose livelihood depends on extraction, family farming or in some other activity with low environmental impact.

FIGURE 5: ANAPU RUMO AO SELO VERDE



Project: Assentamentos Sustentáveis na Amazônia

Territorial coverage	West of the state of Pará, municipalities of Anapu, Pacajá, Senador José Porfírio, Mojuí dos Campos and Aveiros
Responsible for the project	Environmental Research Institute of the Amazon (IPAM) <www.ipam.org.br>
Beneficiaries	2,769 families settled by INCRA's agrarian reform, covering approximately 13,845 persons
Objective	To support, in the settlements from the Institute of Colonization and Agrarian Reform (INCRA), in western Pará, the development of a demonstrative experience of sustainable production and the implementation of payment for environmental services for families committed to reducing deforestation
Total value of project	R\$ 25,482,194.00
Value of the support from the Amazon Fund	R\$ 24,939,200.37
Period of execution	5 years (from the date of the contract)
Situation on 12.31.2011	Approved on 11.29.2011
Amount disbursed (up to 12.31.2011)	-

Context

The Environmental Research Institute of Amazon (IPAM) is a nonprofit institution, founded in 1995, which has activities aimed specifically at the people from the Amazon (small farmers, gatherers, riverside communities, indigenous peoples). The main initiatives developed by the institute are: sustainable regional planning development for the BR-163 region, Transamazon and Transoceanic highways, support for the adoption of sustainable practices of land use by communities of family farmers, strengthening of grassroots organizations from the Amazon, strengthening of the debate

on Reducing Emissions from Deforestation and Degradation (REDD) and contributing so that the peoples from the Amazon rainforest can maintain in the forest, among other goals.

In the Brazilian Amazon, according to researchers at IPAM, approximately 730,000 properties smaller than 100 hectares occupy an area of 13.3 million hectares and are responsible for 15% of the total loss of forest coverage (29% is attributed to the properties with 100-1,000 ha, and 56% to those higher than 1,000 ha). However, small farms are proportionately more deforested than medium and large farms, with an average of 51% (10 to 100 ha) to 78% of their areas cleared (up to 10 ha).

In the context of agrarian reform settlements, until 2010, approximately 3,000 projects were created in the Amazon in an area of approximately 460,000 km². Nevertheless, settlement projects have encountered difficulties such as the lack of environmental and land use regulation, difficulties in access to technical assistance and rural educational extension programs, lack of incentives for fostering alternative sustainable production and intensification of agricultural production in areas that have already been cleared, as well as the lack of incentives for sustainable forest management.

Intervention Logic

The project Sustainable Settlements in the Amazon aims to develop and implement a model of sustainable agricultural production on small rural properties in western Pará to foster improvements in the land-title situation, increase productivity and maintenance of the forest areas, while generating benefits for the climate, biodiversity, and fostering change in the local development model and creating income and food security.

To achieve these goals, the project is divided into two components:

Subproject 1: development and implementation of a sustainable model of production in small rural properties located in three settlements in the municipalities in western Pará, including activities in the systematization and in the dissemination of their experiences.

Subproject 2: Payment for avoided deforestation to 350 families surrounding the BR-230 – Transamazon highway, as well as development of preparatory steps for land and environmental regularization of these family properties.

Expected Result

- Development of a model experience of sustainable production and implementation of payment for environmental services for families committed to reducing deforestation, in INCRA settlements in western Pará.

FIGURE 6: INTERVENTION LOGIC

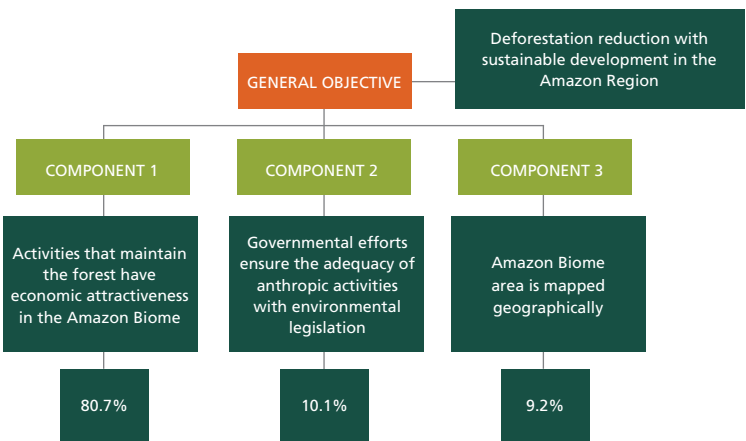


FIGURE 7: ASSENTAMENTOS SUSTENTÁVEIS NA AMAZÔNIA



Project: Bombeiros Florestais de Mato Grosso

Territorial coverage	State of Mato Grosso
Responsible for the project	State of Mato Grosso
Beneficiaries	Population in the region's base of air and land operations of Sinop (MT) <www.mt.gov.br/wps/portal>; <www.seguranca.mt.gov.br>; and <www.bombeiros.mt.gov.br>
Objective	To structure the base of air and ground operations of Sinop (State of Mato Grosso) to monitor and combat deforestation caused by forest fires and illegal burning
Total value of project	R\$ 16,742,500.00
Value of the support from the Amazon Fund	R\$ 12,625,000.00
Period of execution	24 months (from the date of the contract)
Situation on 12.31.2011	Contracted on 9.13.2011
Amount disbursed (up to 12.31.2011)	-

Context

Mato Grosso occupies an area of 903,000 km², representing 10.6% of the Brazilian territory, with 141 municipalities and a population (2010 Census, IBGE) of 3,033,991 inhabitants. In 2008, its Gross Domestic Product (GDP) was approximately R\$ 53 billion (representing 1.7% of Brazilian GDP).

Up to 2009, approximately 39% of the forest area of the state of Mato Grosso had been cleared. However, in recent years this situation has been reversed and the rate of deforestation in the state

has been reduced significantly. Between its peak in 2004 and 2011, the deforestation rate has been reduced by 90%.

In October 2009, the state of Mato Grosso produced, through a partnership with the Ministry of the Environment, the State Plan for Prevention and Control of Deforestation and Fires (PPCDQ/MT), which includes initiatives to reverse the process of deforestation, and is mostly linked to state agencies, including the State Office of Environment (SEMA/MT) and CBMMT.

Formally, the PPCDQ/MT was established by Decree No. 2,943, of October 27, 2010, and is structured around four thematic points: land and environmental regularization and planning, monitoring and control; fostering of sustainable activities; and governance and executive management. The Bombeiros Florestais de Mato Grosso project aims to contribute to the structuring of PPCDQ/MT and to improve coordination among agencies responsible for controlling deforestation.

The agency responsible for implementing the project is the Military Body of Firefighters from the state of Mato Grosso (CBMMT). CBMMT was created as part of the structure of the Military Police, on 8.19.1964, by State Law No. 2,184. However, the Federal Constitution, promulgated on 5.10.1988, separated the organizations of Military Firefighters from the Military Police, in Article 144.

In this way, the proposed emancipation of the Firefighters from the Military Police was sent to the state government of Mato Grosso and set into law by the State Decree No. 4,795, of 7.5.1994. Since then, through the State Complementary Law No. 371, of 11.26.2009, which provides for the basic organization of the corporation, CBMMT has administrative and financial autonomy, subordinated hierarchically to the governor and linked to the State Office of Public Safety from the state of Mato Grosso (SESP/MT).

Among the CBMMT's roles, as defined by the State Complementary Law No. 404, of 6.30.2010, are fostering educational activities of fire prevention and protection of the environment and performing services, within its sphere of competence, for preventing and extinguishing forest fires in order to protect the environment.

This same complementary law instituted within the CBMMT, the Battalion Environmental Emergencies (BEA) to meet the demands of preventing and combating unauthorized burning and forest fires.

The CBMMT corporation has a total of 17 operating units – one in Cuiabá, another in the contiguous municipality of Várzea Grande and the other ones located across the state.

Intervention Logic

The project seeks to support efforts for monitoring, preventing and combating deforestation, unauthorized burning and forest fires in the state of Mato Grosso, through training of employees and partners from the Military Body of firefighters and acquisition of aircrafts, vehicles and support equipment for air and land operations from CBMMT, located in Sinop.

Expected Result

- Greenhouse gas emissions reduced through monitoring, preventing and combating deforestation, unauthorized burning and forest fires.

FIGURE 8: INTERVENTION LOGIC

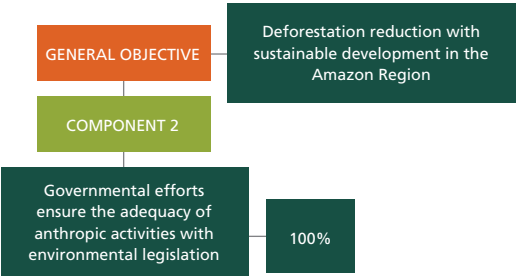
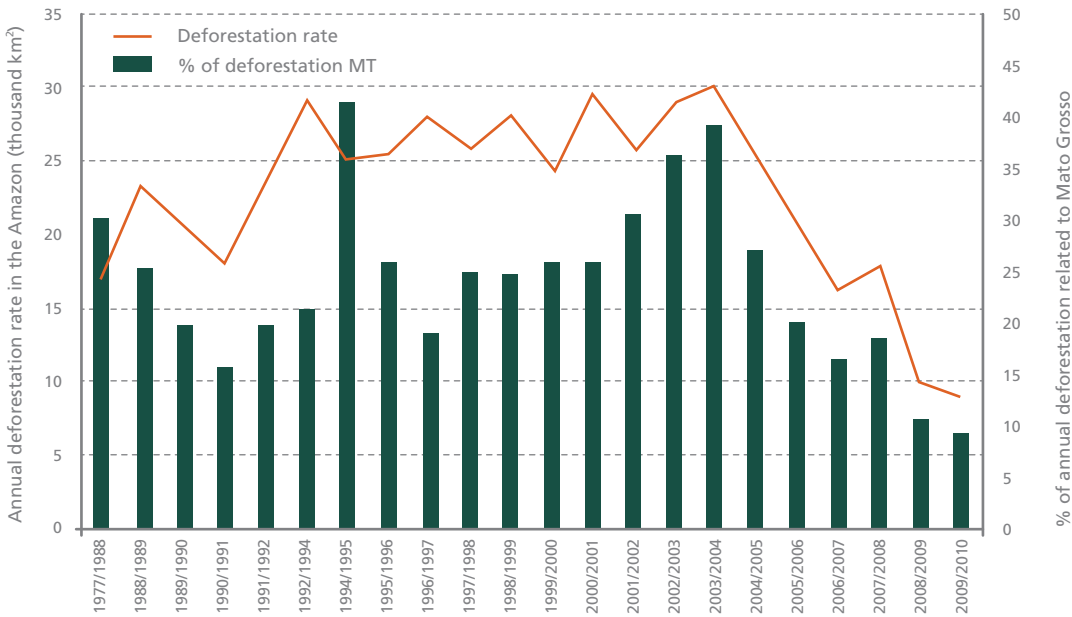


FIGURE 9: EVOLUTION OF THE RATE OF DEFORESTATION FROM 1977 TO 2010 AND RATIO OF RATE OF DEFORESTATION RELATED TO THE STATE OF MATO GROSSO



Source: INPE/PRODES Digital 2010.

**CBMMT ROLES, DEFINED BY COMPLEMENTARY STATE LAW No. 404,
OF 6.30.2010:**

- I. perform services for the prevention and extinguishing of fire;
- II. perform protection, search and rescue services;
- III. perform activities of civil defense of the state, within its area of jurisdiction in the State System of Civil Defense;
- IV. study, analyze, perform and supervise all services against fire and panic in the state;
- V. perform urgent and emergency aid;
- VI. give fire expert opinions, within its competence;
- VII. conduct scientific research in its field of action;
- VIII. foster educational activities on fire and collective panic prevention and on protection of the environment;
- IX. perform services for the prevention and extinguishing of forest fires in order to protect the environment, within its sphere of competence;
- X. monitor, within its competence, and by agreement with the transit authority with jurisdiction over the route, the transport services of freight and dangerous special products, in order to protect people, the environment and public and private assets;
- XI. perform other activities provided by law.

FIGURE 10: BOMBEIROS FLORESTAIS DE MATO GROSSO



Project: Fundo Dema

Territorial coverage	Traditional communities in the state of Pará, focusing in the area of influence of the Transamazon and Br-163 highways and in the Lower Amazon region.
Responsible for the project	FASE <www.fase.org.br>
Beneficiaries	Traditional communities of the Amazon: small farmers, indigenous people and quilombola communities (maroon settlements).
Objective	To support environmental projects of small value through eight public calls-to-bid to be launched over three years
Project total value	R\$ 9,646,983.00
Value of the support from the Amazon Fund	R\$ 9,347,384.00
Period of execution	36 months (from the date of the contract)
Situation on 12.31.2011	Contracted on 6.14.2011
Amount disbursed (up to 12.31.2011)	R\$ 590.470,00

Context

The municipalities located in the Amazon region of Pará, especially in the vicinity of the Transamazon and BR-163 highways and in the Lower Amazon region, receive strong pressure from potential vectors that can lead to deforestation, such as livestock farming, logging and soybean cultivation.

The Fundo Dema is the result of a partnership between the Federal Government and civil society. It was established in 2004 with resources from the sale of logs of mahogany extracted illegally and recovered, mostly in the region of Altamira and São Félix do Xingu (state of Pará). IBAMA,

when carrying out the seizure of logs, chose to donate them to the Federation of agencies for Social and Educational Assistance (FASE), so that the resources from the sale of mahogany could be used to repay the region for the environmental harm suffered. In this way, the Fundo Dema's income should be directed to support projects for sustainable development in western Pará.

Intervention Logic

This project's goal is to support environmental projects of limited value, through eight public calls-to-bid, to be launched over three years, with the communities of the Amazon as beneficiaries (small farmers, indigenous and maroon settlements), located in the state of Pará, focusing on the area of influence of the Transamazon and BR-163 highways, and in the Lower Amazon Region.

The projects to be selected and supported with these public calls-to-bid will fall in at least one of the following topic areas: sustainable community forestry management; economic activities developed through sustainable forest use; conservation and sustainable use of biodiversity, and recovery of degraded areas.

Expected Results

- Eight calls-to-bid launched under the following funds: Dema, Quilombola of Pará and indigenous Xingu, to support small projects from traditional communities;
- Experience generated by the expanded Fundo Dema, as well as use of its management structure to support small environmental projects in maroon settlements in the state of Pará and among the Xingu Indians.

FIGURE 11: INTERVENTION LOGIC

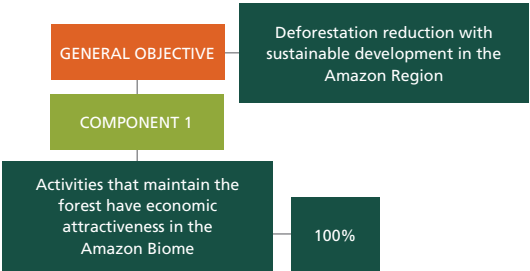


FIGURE 12: FUNDO DEMA



Project: Fundo Kayapó

Territorial coverage	Kayapó, Menkragnoti, Baú and Badjonkôre indigenous lands, in southern Pará; and Capoto-Jarina indigenous land, in northern Mato Grosso
Responsible for the project	Brazilian Fund for Biodiversity (FUNBIO) <www.funbio.org.br>
Beneficiaries	Kayapó indigenous communities
Objective	To ensure the non-reimbursable financing of projects from Kayapó organizations aimed at sustainable production activities, institutional strengthening, prevention of deforestation, biodiversity conservation and land protection, through the implementation of a long-term financial and operating mechanism, called the Fundo Kayapó
Total value of project	R\$ 23,300,000.00
Value of the support from the Amazon Fund	R\$ 16,900,000.00
Period of execution	72 months (from the date of the contract)
Situation on 12.31.2011	Contracted on 11.21.2011
Amount disbursed (up to 12.31.2011)	-

Context

The Fundo Kayapó project aims to preserve five Kayapó indigenous lands (TIs) located in southern Pará and northern Mato Grosso, in a region located in the "Deforestation Arc". They are: TI Kayapó, TI Menkragnoti, TI Bau, TI Bandjakôre and TI Capoto-Jarina.

The TIs form a contiguous block located in the Xingu basin and have a total area of 10.6 million hectares. Therefore, its territory is in one of the largest areas of protected rainforest in the world.

Furthermore, it represents a significant portion of the Biodiversity Corridor of South Amazon Ecotones, characterized as an important region for its rich biodiversity and the presence of species considered threatened globally.

The five Kayapó TIs are inhabited by approximately 7,000 Kayapó indigenous people, who are responsible for the preservation of the boundaries of their territories threatened by external deforestation pressure, through the efforts of their organizations and with the support from the National Indian Foundation (FUNAI).

The Kayapó Indians have obtained significant success in maintaining forest coverage of their lands, notwithstanding the threat from external deforestation pressure.

Intervention Logic

The Fundo Kayapó project aims to be a long-term financial and operational mechanism, called the “Kayapó Fund”, to support the development of projects from Kayapó organizations aimed at sustainable production activities, institutional strengthening, prevention of deforestation, biodiversity conservation and protection of Kayapó indigenous lands.

Expected Results

- Improved quality of life of Kayapó Indians through the development of sustainable production activities; and
- Preservation of forest and biodiversity, due to the improvement of institutional capacity and protection of Kayapó TIs.

FIGURE 13: INTERVENTION LOGIC

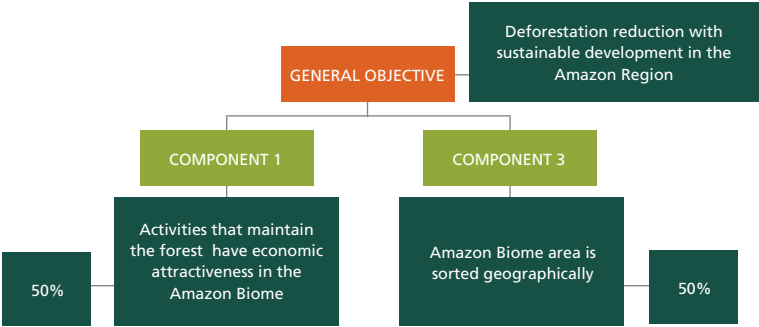


FIGURE 14: MANAGEMENT MODEL

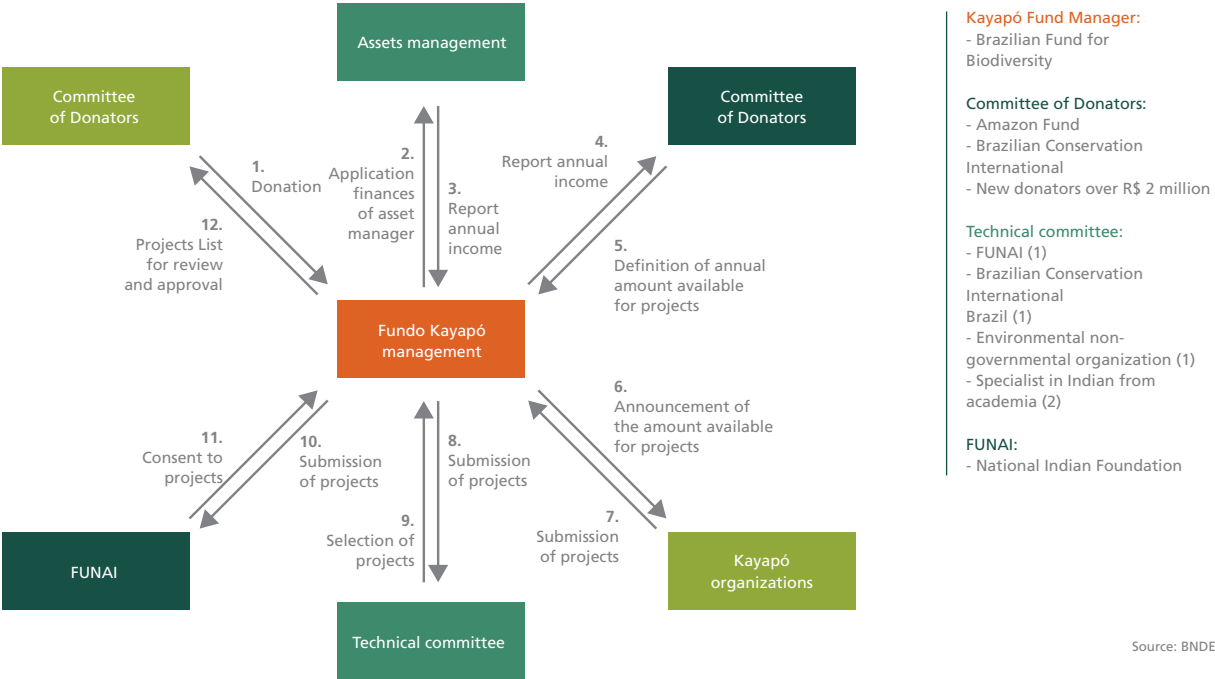


FIGURE 15: FUNDO KAYAPÓ



Project: Incubadora de Políticas Públicas da Amazônia

Territorial coverage	All states of the Amazon Biome
Responsible for the project	Federal University of Pará (UFPA) and São Paulo Research Foundation (FADESP) <www.naea.ufpa.br>
Beneficiaries	Federal University of Pará
Objective	To develop interdisciplinary research projects on the socioeconomic and environmental impacts of the expansion of the economic border of the Amazon, under the Incubator of Public Policies of the Amazon, linked to the Forum for Research and Graduate Studies in Sustainable Development of Amazon
Total value of project	R\$ 2,704,084.90
Value of the support from the Amazon Fund	R\$ 2,704,084.90
Period of execution	24 months (from the date of the contract)
Situation on 12.31.2011	Contracted on 12.9.2011
Amount disbursed (up to 12.31.2011)	-

Context

The Center for Advanced Amazonian Studies (NAEA) is linked to the Federal University of Pará, one of the most important research institutions in the northern region of the country. NAEA is a graduation center whose three main lines of research are: Societal and Regional Development and Public Policies; Regional Economics and Sustainable Development; and Environmental Management and Management of Ecosystems.

Additionally, the NAEA is responsible for the executive office of the Sustainable Amazon Forum, which brings together 19 graduate programs working in the topic areas of public policies and sustainable development of the nine states of the Legal Amazon.

Linked to this Forum is the Incubadora de Políticas Públicas da Amazônia (Incubator of Amazon's Public Policies), whose mission is to contribute to the design, formulation, monitoring and assessment of public policies for sustainable development in the region, supported by scientific research, traditional knowledge and qualified participation of regional players.

Intervention Logic

The objective of this project is to strengthen the Incubadora de Políticas Públicas da Amazônia through an interdisciplinary research project on the socioeconomic and environmental impacts from the expansion of the economic border of the Amazon.

The first stage of the research will be conducted in all states of the Legal Amazon area, based on data from secondary sources, and will generate information and indicators on the mesoregions with higher socio-environmental vulnerability in each of those states. The idea of socio-environmental vulnerability incorporates the various economic, social, political, institutional and environmental factors that determine the ability of the mesoregion to avoid deforestation.

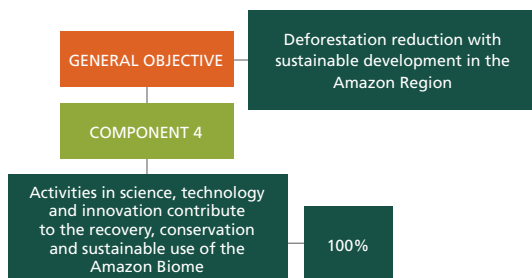
In its second stage, the base of state units of the incubator in each mesoregion indicated in the previous step will be implemented, and action-research activities will be conducted in conjunction with representatives from local social, economic, educational and political institutions, to categorize the ecological system, to assess the socioeconomic dynamics and to evaluate recent experiences in management and natural resource management in the mesoregion system. Action-research is a research methodology that seeks to perform diagnostic and troubleshooting in a collaborative and

participatory way with researchers and players involved in the underlying conditions leading to the diagnosis of such problems.

Expected Results

- Social and environmental indicators produced for each mesoregion of the states of the Legal Amazon and identification of the ones most threatened by deforestation; and
- Proposal of effort strategies by the incubator to support the elaboration of public policies and priority projects to improve governance and social and environmental management of conservation units, projects of colonization and settlement and other production units from mesoregions.

FIGURE 16: INTERVENTION LOGIC



The two stages of the project are guided by the three central themes shown below, which are analogous to the core topic areas of systematization of information, monitoring and assessment of public policies from the Incubadora de Políticas Públicas da Amazônia, as well as the research lines from NAEA, which are:

Theme 1 – Institutions, conservation and deforestation units in the Amazon;

Theme 2 – Expansion of the border, regional development and quality of life in the Amazon; and

Theme 3 – Collaborative management of natural resources and prevention of deforestation in the Amazon.

Graduate programs affiliated with the forum to which the Incubadora de Políticas Públicas da Amazônia is linked to:

Graduate Program in Sustainable Development in the Humid Tropics (NAEA) – UFPA environment center (NUMA) – UFPA

Graduate Program in Economic Sciences – UFPA

Graduate Program in Geography – UFPA

Graduate Program in Social Work – UFPA

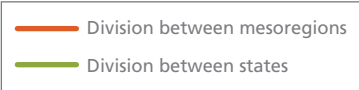
Graduate Program in Amazonian Agriculture – UFPA

Graduate Program in Urban Development and Environment – UNAMA

Graduate Program in Regional Development – UFAC
Graduate Program in Sustainability of Ecosystems – UFMA
Graduate Program in Society and Culture in the Amazon – UFAM
Graduate Program in Regional Development – UFAM
Graduate Program in Natural Resources – UFRR
Graduate and Master program in Regional Development – UFT
Graduate Program in Water Resources – UFMT
Master's program in Agribusiness and Regional Development – UFMT
Master's program in Environmental Science – UFT
Master's program in Regional Development and Environment – UNIR
Master program in Environment and Agricultural Production System –
UNEMAT
Integrated Master program in Regional Development – UNIFAP



FIGURE 17: MESOREGIONS OF THE LEGAL AMAZON



Source: IBGE.

FIGURE 18: INCUBADORA DE POLÍTICAS PÚBLICAS DA AMAZÔNIA



Project: Jacundá, Município de Economia Verde

Territorial coverage	Municipality of Jacundá, state of Pará
Responsible for the project	Municipality of Jacundá, state of Pará <www.prefeituradejacunda.pa.gov.br>
Beneficiaries	Local people, especially farmers
Objective	To recover deforested and degraded areas in the municipality for economic and ecological conservation purposes; to support the structuring and modernization of the Municipal Office of Environment and Tourism from the municipality of Jacundá; and to foster the organization of the municipal territory through the initial phase of Ecological-Economic Zoning
Total value of project	R\$ 820,860.00
Value of the support from the Amazon Fund	R\$ 792,200.00
Period of execution	18 months (from the date of the contract)
Situation on 12.31.2011	Approved on 11.29.2011
Amount disbursed (up to 12.31.2011)	-

Context

The municipality of Jacundá is located in the mesoregion of Jacundá and microregion of Tucuruí, in the state of Pará, approximately 400 km from Belém. It has a territory of 2,008 km² and a population of approximately 51,000 inhabitants (2010 Census, IBGE), and, therefore, a density of 26 inhabitants per km².

The municipality is not part of the list from the Ministry of the Environment of priority municipalities for efforts in the prevention and combating of deforestation in the Legal Amazon. However, it

is located adjacent to an area characterized as the most important focus of deforestation in the Amazon, known as the “Deforestation Arc”.

The main economic activities of the municipality are focused on livestock farming and plant extraction. Besides these activities, the production of fruits, vegetables and grains in both temporary and permanent crops are also very relevant, according to the 2009 municipal agricultural production (2010 Census, IBGE).

According to the Municipal Human Development Index (HDI-M) of Brazilian municipalities (UNDP, 2000), the municipality of Jacundá has a HDI-M of 0.691, which corresponds to a medium HDI-M and reflects a municipality with average human development.

Intervention Logic

The municipality currently faces a number of environmental problems arising from the different socio-economic activities developed in its territory and by disordered urban occupation. To address these problems, this project seeks to strengthen the municipal environmental management through the physical and operational structuring of the Municipal Office of Environment and Tourism (SEMATUR), the preparation of an economic and environment database as well as the expansion of the municipal nursery.

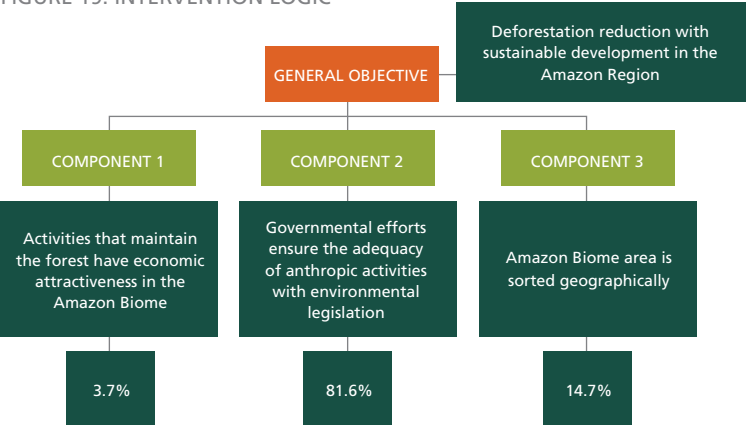
The physical and operational structuring of SEMATUR will involve the renovation and expansion of its headquarters; the purchase of operating materials, support materials and computer equipment for general use by the Office and for efforts in environmental monitoring; supervision and licensing; training of human resources for efforts in environmental monitoring and licensing; and the formulation of a Municipal Environmental Management plan.

The development of the economic and environmental database aims to give support to the municipality through information on its land characterization, for the strategic planning on the deployment and implementation of urban planning and recovery programs of degraded areas, among others procedures aimed at the maintenance and expansion of its green areas. This way, the development of this database will include a study for the characterization of the municipal territory (Initial Phase of Ecological-Economic Zoning – ZEE) and human resources training.

Expected Results

- Municipal Office of Environment and Tourism (SEMATUR) structured to improve the municipal environmental management;
- Formulation of the study on the characterization of the municipal territory; and
- Increased production capacity of the municipal nursery.

FIGURE 19: INTERVENTION LOGIC



MUNICIPALITY OF JACUNDÁ AND MUNICIPAL ENVIRONMENTAL MANAGEMENT

The environment municipal policy of Jacundá was established by Municipal Law No. 358/03, of 11.20.2003, and includes such agencies as the municipal environment council, the municipal Office of Environment and Tourism (SEMATUR) and the Municipal Environmental Forum for its implementation.

The Municipal Environment Council, created by the Municipal Law No. 2,269, of 6.14.2000, acts as a regulatory, consultative and deliberative agency and is currently fully operational. The Municipal Environment Forum for its implementation, created by the same law as the council, is an autonomous body with a permanent nature that prepares proposals and forwards them to CMMA.

The municipality also has an instrument of environmental policy, the municipal environment Fund, created by the Municipal Law No. 2,259, of 5.25.2000, which manages environmental resources and the updated environmental code, established by municipal complementary Law No. 2,471, of 12.1.2009, which brought together the previous laws into one legal framework.

SEMATUR was established by Municipal Law No. 2,304, of 7.9.2001, to act as a central executive agency of environmental policy in Jacundá.

In 2010, SEMATUR had its activities decentralized from the state government, through the instrument of qualification for Municipal Environmental Management 004/2010, and it can, thereby, license activities of local environmental impact, as well as supervise and impose fines.

In March 2011, the municipality of Jacundá became part of the state program "Green municipalities of Pará," when it pledged to hold a series of conditioning activities to its management, such as: zero deforestation, reforestation of 50% of rural properties, water treatment, installation of sewage, solid waste management, recovery of riparian vegetation of rivers and springs, urban forestry, environmental education, end of illegal logging, programs to encourage the use of certified wood, introduction of a program to reduce the waste of water resources, control of air pollution and noise, and implementation of an environmental structure capable of and responsible for protecting the environment.

FIGURE 20: JACUNDÁ, MUNICÍPIO DE ECONOMIA VERDE



Project: Nascentes do Buriti

Territorial coverage	Municipality of Carlinda, state of Mato Grosso
Responsible for the project	Municipality of Carlinda, state of Mato Grosso <www.carlinda.mt.gov.br>
Beneficiaries	Local people, especially farmers
Objective	To support the strengthening of the municipal environmental management through the physical structuring of the Municipal Office of Environment and Tourism, and to foster efforts to recover 1,722 hectares of permanent preservation areas (APPs) in the vicinity of springs.
Total value of project	R\$ 1,888,581.50
Value of the support from the Amazon Fund	R\$ 1,870,581.50
Period of execution	48 months (from the date of the contract)
Situation on 12.31.2011	Contracted on 9.6.2011
Amount disbursed (up to 12.31.2011)	R\$ 1.160.297,40

Context

Carlinda has a territory of 2,157 km² and a population of 10,990 inhabitants (2010 Census, IBGE). It is located in the far north of Mato Grosso, adjacent to the south of Pará, in the area of influence of the BR-163 (Cuiabá-Santarém) highway.

The municipality is bathed by the rivers Teles Pires, Quatro Pontes and Ariranha. Currently, its main economic activity is in the service sector, followed by mixed farming (dairy farming, small coffee and cocoa farms) and industry. It has approximately 1,800 rural properties, 90% of those with property titles, according to estimates by the Office of Municipal Environment and Tourism.

Carlinda, along with 15 other municipalities from surrounding areas, is part of the Portal Territory of the Amazon, which is part of the Federal Government's program, Citizenship Territories. The main objective of this program is to foster economic development and universalize basic programs of citizenship through a strategy of sustainable territorial development. The Portal of the Amazon covers an area of 111,167.50 km², has a population of 260,000 inhabitants and is composed of 16 municipalities: Alta Floresta, Apiacás, Carlinda, Colíder, Guarantã do Norte, Marcelândia, Matupá, Nova Bandeirantes, Nova Canaã do Norte, Nova Guarita, Nova Monte Verde, Nova Santa Helena, Novo Mundo, Paranaíta, Peixoto de Azevedo and Terra Nova do Norte.

Intervention Logic

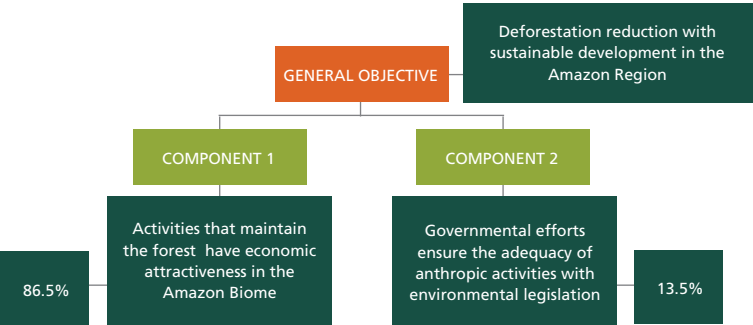
The project of the municipality of Carlinda focuses, in particular, on the recovery of permanent preservation areas (APPs) of five sub-basins located around the municipality, of which the most important is the one that contains a water source for its urban centers. The other four sub-basins were chosen because they are the most degraded, according to the diagnosis made by the Local Agenda 21. Taken together, these five sub-basins cover approximately 450 rural properties, which is equal to 25% of the 1,800 rural properties that are estimated to exist in the municipality. The total area of the five sub-basins is 2,668 hectares, of which 1,722 hectares are from degraded APPs, which will be recovered in this project, and the remaining 946 hectares are from preserved APPs. The City Hall of Carlinda is expected to increase the production of its plant

nursery, located on land it owns, through the purchase of various equipments and the hiring of two nursery assistantys who will work on the project during its implementation. Furthermore, the project aims to support the strengthening of the municipal environmental management through the physical structuring of the Municipal Office of Environment (SEMMAT).

Expected Results

- Strengthening of the municipal environmental management through the physical structuring of the Municipal Office of Environment and Tourism;
- Increased production capacity of the municipal nursery; and
- 1,722 hectares of APPs recovered in the vicinity of springs, located near the urban area of Carlinda.

FIGURE 21: INTERVENTION LOGIC



MUNICIPALITY OF CARLINDA AND MUNICIPAL ENVIRONMENTAL MANAGEMENT

The environment municipal policy of the city of Carlinda has as its central body the Municipal Office of Environment and Tourism (SEMMAT), created by Law No. 468, of 10.31.2008.

The municipality also has the Environment Defense Council (CODEMA) and the Municipal Environment Fund, which was created in 2010 by Municipal Law No. 615/2010.

SEMMAT efforts are still small, especially because there are no support vehicles and equipment suitable to carry out field activities. Even in an office environment, the limitations are large: there is only one computer at the Office and no printer and no data projectors for lectures and other environmental education activities.

Even within the constraints facing the SEMMAT, some efforts from this Office are already underway:

- Production in the municipal nursery of 500,000 seedlings per year, distributed free to small farmers.
- Lectures on environmental education in local schools.

AGENDA 21

Agenda 21 can be defined as a planning tool for building sustainable societies in different geographic bases, which combines methods of environmental protection, social justice and economic efficiency.

The Brazilian Agenda 21 is an instrument of participatory planning for sustainable development of the country, and it is the result of extensive consultation with the Brazilian population. It was coordinated by the Committee of Sustainable Development Policies (CPDS) and Agenda 21, based on guidelines of the Global Agenda 21, and implemented in 2002.

The Local Agenda 21 is the participatory planning process of a given area that involves the deployment of an Agenda 21 Forum. Composed of government and civil society, the Forum is responsible for the construction of a Local Plan for Sustainable Development, which creates local priorities through projects and efforts for the short, medium and long terms. Also defined in the Forum implementation are the means and the responsibilities of the government and other sectors of the local population in the implementation, monitoring and review of these projects and efforts.

Source: <www.mma.gov.br>.

FIGURE 22: NASCENTES DO BURITI



Project: Preservar Porto dos Gaúchos

Territorial coverage	Municipality of Porto dos Gaúchos, state of Mato Grosso
Responsible for the project	Municipality of Porto dos Gaúchos, state of Mato Grosso <www.portodosgauchos.mt.gov.br>
Beneficiaries	Local population
Objective	To strengthen the municipal environmental management through the physical and operational structure of the State Office of Environment and Tourism
Total value of project	R\$ 134,897.00
Value of the support from the Amazon Fund	R\$ 133,890.00
Period of execution	12 months (from the date of the contract)
Situation on 12.31.2011	Contracted on 8.12.2011
Amount disbursed (up to 12.31.2011)	R\$ 120.655,00

Context

Porto dos Gaúchos is located in the central-north region of the state of Mato Grosso, 620 km from Cuiabá. It has a territory of 6,994 km² and a population of 5,500 inhabitants (2010 Census, IBGE), which equals to a density of 0.72 inhabitants/km². The municipality was created by Law No.1,945, of November 11, 1963, and had its origins in a private colonization project started in the 1950s. Currently there are approximately 745 rural properties in the municipality, according to the institute of agricultural defense of the state of Mato Grosso (IDEA/MT).

The environmental situation of Porto dos Gaúchos resembles that of other municipalities in the central-north area of the state, which had seen rapid expansion during the process of occupation, primarily because of activities in livestock, agriculture and uncontrolled logging. Hence, the municipality has problems with the degradation of permanent preservation areas, burning and illegal deforestation. Since 2008, it is part of the list of the Ministry of Environment of municipalities considered priorities in their efforts for the prevention and combat of deforestation in the Legal Amazon. However, in recent years the deforestation rate was reduced significantly, going from an initial level of 32 km²/year in 2006 to 22 km²/year in 2010.

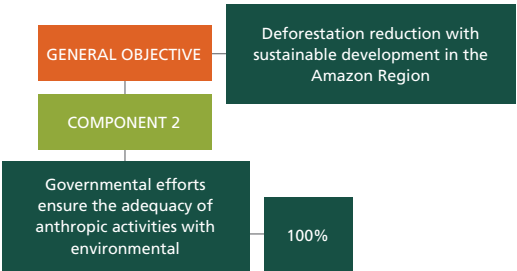
Intervention Logic

The Porto dos Gaúchos project seeks to provide instruments for environmental management efforts, physically and operationally structuring the Municipal Office of Environment and Tourism in order to equip it to fight and control deforestation.

Expected Result

- Strengthened monitoring and controlling efforts in the municipality, in order to circumvent existing environmental problems.

FIGURE 23: INTERVENTION LOGIC



PORTO DOS GAÚCHOS AND MUNICIPAL ENVIRONMENTAL MANAGEMENT

The environmental situation of Porto dos Gaúchos resembles that of other municipalities in the central-north area of Mato Grosso, which saw rapid expansion in the process of occupation, with livestock, agriculture and uncontrolled logging as economic vectors.

The environment municipal policy of the Porto dos Gaúchos has as its central body the Municipal Office of Environment and Tourism (SEMATUR), created by Law No. 271, of 12.8.2009.

The colonization of Porto dos Gaúchos began in mid-1950, on Arinos riverside, by the Company Colonizadora Noroeste Mato-Grossense S.A. (CONOMALI). In 1961 the region received investments from a few German companies aimed at the production of rubber. During this period, there was a significant increase in the planting of the rubber crop.

By 2002, Porto dos Gaúchos had lost approximately 30% of its forest area, which originally covered nearly all of its territory, a little less than 7,000 km². In the period from 2003 to 2005 the deforestation rates were also high, 295, 288 and 230 km²/year, respectively. Up to 2009, the total area deforested in the municipality was 42% of the territory of Porto dos Gaúchos.

As a result of rapid deforestation, Porto dos Gaúchos is now part of the list from the Ministry of the Environment of priority municipalities

for efforts in the prevention and combating of deforestation in the Legal Amazon.

There was, however, a sharp decline in the rate of deforestation in the 2006-2010 period, of 32, 12, 30, 9 and 22 km²/year, respectively. In 2009, the remaining forest covered approximately 58% of the municipal territory.

FIGURE 24: PRESERVAR PORTO DOS GAÚCHOS



Project: S.O.S. Cumaru do Norte

Territorial coverage	Municipality of Cumaru do Norte, State of Pará
Responsible for the project	Municipality of Cumaru do Norte, State of Pará <www.cumarudonorte.net.br>
Beneficiaries	Local people, especially farmers
Objective	To support the strengthening of the municipal environmental management through the physical and operational structuring of the Municipal Office of Environment and Tourism (SEMMAT)
Total value of project	R\$ 755,299.70
Value of the support from the Amazon Fund	R\$ 755,299.70
Period of execution	12 months (from the date of the contract)
Situation on 12.31.2011	Approved on 5.31.2011
Amount disbursed (up to 12.31.2011)	-

Context

Cumaru do Norte is located in the mesoregion of southeastern Pará and in the microregion of São Félix do Xingu. It was created in 1991, after its separation from Ourilândia do Norte.

It is located 972 km from Belém. It has a territory of 17,085 km² and a population of 10,478 inhabitants (2010 Census, IBGE), with a population density of 0.6 inhabitants/km².

The Municipal Human Development Index (HDI-M) of Brazilian municipalities, as measured by the UNDP in 2000, was 0.666 for Cumaru do Norte (state of Pará), corresponding to an average HDI-M (UNDP).

Income in North Cumaru is greatly influenced by the predominant economic activity of livestock farming. According to the 2009 Municipal Livestock Research, from IBGE, there were about 589,000 head of cattle in the municipality, representing approximately 56 head of cattle per inhabitant.

The environment municipal policy of Cumaru do Norte has as its central body the Municipal Office of Environment and Tourism (SEMMAT), created by Law No. 213, of 4.4.2007.

Currently, the municipality is in the process of decentralizing its current environmental management, hence claiming autonomy in the licensing of activities with local impact and integrating the implementation laws issued annually by the Ministry of Environment (MMA) that defines the priority municipalities in efforts on monitoring and controlling deforestation.

Intervention Logic

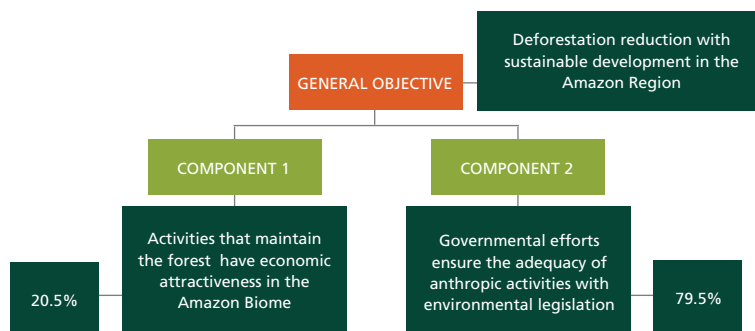
The S.O.S. project Cumaru do Norte project aims to improve the infrastructure for municipal environmental management and expansion of the sapling nursery, which will be donated to farmers for rehabilitation of degraded areas.

Besides physically and operationally structuring SEMMAT and expanding the municipal nursery, the project will operate in the formation of environmental agents trained in the activity of seedling production, in order to provide knowledge to 50 local young people to assist municipal producers in the recovery process of degraded areas on their properties.

Expected Results

- Municipal Office of Environment and Tourism (SEMMAT) structured to improve the municipal environmental management; and
- Introduce new forms of economic exploitation of rural properties for the sustainable development of Cumarú do Norte.

FIGURE 25: INTERVENTION LOGIC



CUMARU DO NORTE AND MUNICIPAL ENVIRONMENTAL MANAGEMENT

The environment municipal policy of Cumarú do Norte has as its central body the Municipal Office of Environment and Tourism (SEMMAT), created by Law No. 213, of 4.4.2007.

The municipality is in the process of decentralizing current environmental management, and in this way claiming autonomy for

the licensing of activities of local impact, in the Office of Environment of Pará (SEMA/PA), as permitted by Resolution 237/97, from the National Environment Council (CONAMA).

Cumaru do Norte already has the following legal instruments approved and regulated by the City Council relating to the environment: Municipal Environment Fund and Board (Law No. 217/07); Municipal Environment Fund Regulation (Decree No. 405/07), naming of members for the municipal council of environment and tourism (Decree No. 423/08); Municipal Policy and System of Environment and Tourism (Law No. 226/08); Law of environmental taxes (Law No. 239/09); Regulation and Establishment of Controlled Burning Permits (Decree No. 58/09); and Law of Urban Guidelines (Law No. 272/11).



FIGURE 26: S.O.S CUMARU DO NORTE



PROJETOS 2010

Project: Conhecer para Conservar

Territorial coverage	Municipality of Manaus, state of Amazonas
Responsible for the project	Museum of the Amazon (MUSA) <www.museudaamazonia.org.br>
Beneficiaries	Population of Manaus and nearby cities, domestic and foreign tourists, students of universities, students and teachers from public and private schools of the state of Amazonas and others interested in environmental issues
Objective	Implement the Museum of the Amazon (Musa) and a Training Center in the Água Branca Settlement, in Manaus, aimed at the dissemination of knowledge that contribute to the enhancement and conservation of natural resources in the Amazon and its cultural heritage, through an innovative model of forest visits
Project total value	R\$ 8,454,421.00
Value of the support from the Amazon Fund	R\$ 8,454,421.00
Period of execution	36 months (from the date of the contract)
Situation in 12.31.2011	Contracted on 9.1.2011
Amount disbursed (up to 12.31.2011)	R\$ 2,436,885.00

Context

The Amazon museum's facilities will occupy around one hundred hectares of the Adolpho Ducke Forest Reserve, an urban forest of ten thousand hectares located within the limits of the city of

Manaus. Because of its size and level of preservation, this reserve is home to animals and plants that make for a fairly accurate representation of the biodiversity in Central Amazonia.

The Adolpho Ducke Reserve has been studied systematically for more than thirty years, particularly by the National Institute for Amazonian Research (INPA). Therefore, it has valuable documentation on its biodiversity, forest and aquatic ecosystems and biotic and abiotic interactions.

Part of the project will be conducted in a rural settlement area adjoining the Adolpho Ducke Forest: the Água Branca settlement. This area is in an “ecological corridor” linking the Adolpho Ducke Forest Reserve and the Puraquequara Lake. Today, most of these properties are still covered by native forest. However, if no measures are taken to ensure the maintenance of this ecological corridor, the reserve is likely to have its conservation value reduced by forest fragmentation and isolation of its biota.

Intervention Logic

The Museum of the Amazon (MUSA) will foster an innovative model of forest visits and dissemination of knowledge about the Amazon. Its objective is to offer experiences that allow visitors to contact the biological and socio-cultural diversity of the Amazon Region. To do so, the museum will work with the concept of a socio-biodiverse “living museum”, based on the knowledge gained by researchers from Brazilian and international scientific institutions who researched the Amazon Basin.

The project is structured into two components. One is a complex of pavilions, tanks, trails, suspended walkways, stations and observation towers in the forest, connecting an area of approximately thirty hectares of the Adolpho Ducke Reserve to the current facilities of the Botanical Garden of Manaus.

The other component supports the structuring of a training center in Água Branca, a settlement area of the National Institute of Colonization and Agrarian Reform (INCRA). The goal is to generate economic options based on the sustainable use of the Amazon Biome, creating a demonstrative model of economic activities that enhances the forest, with the added benefit of generating income and improving social conditions. Approximately 36 families currently residing in the Água Branca Settlement will benefit directly.

Expected Results

- Increased interest in environmental tourism;
- Locals and tourists become aware of socio-biodiversity issues in Amazon;
- Publishing of studies produced by research institutions in the Amazon;
- Ecological corridor from the Água Branca Settlement conserved, avoiding the fragmentation of the Ducke Forest Reserve, which has ten thousand hectares; and
- Human resources trained at different levels to enable activities on extraction, environmental management and conservation.

THE RISK OF FRAGMENTATION OF THE ADOLPHO DUCKE FOREST RESERVE

A forest fragment can be understood as a continuous natural vegetation area interrupted by anthropogenic (man-made) or natural barriers. Fragmentation leads to the formation of “islands of forests”, which are isolated by a hostile surrounding areas that significantly reduces the flow of animals, pollen and seeds. In this way, there is a gradual loss of biodiversity leading to the impoverishment of the ecosystem and the reduction of forest coverage.

FIGURE 27: INTERVENTION LOGIC

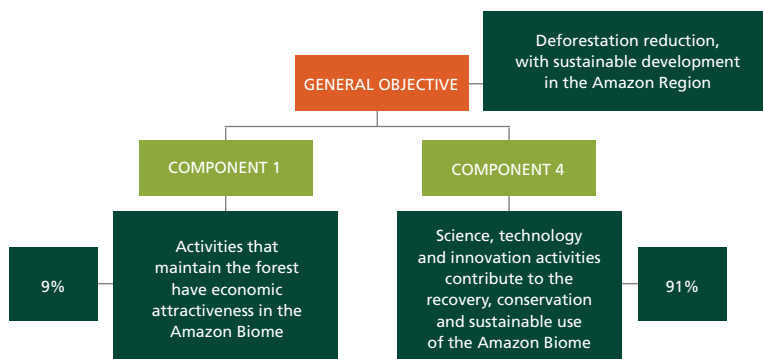


FIGURE 28: CONHECER PARA CONSERVAR



FIGURE 29: PROJECT LOCATION IN MANAUS/AM



Project: Disseminação e Aprimoramento das Técnicas de Manejo Florestal Sustentável

Territorial coverage	States of Pará, Amazonas and Rondônia
Responsible for the project	Floresta Tropical Institute <www.ift.org.br>
Beneficiaries	Workers from the logging and forestry industry and operators of heavy machinery, forest communities and small farmers, government officials, engineers, auditors, administrators, researchers and students of forestry from high school and university
Objective	Support the expansion of the practice of sustainable forest management through technical training efforts, sensitization of the key players and workers, and applied research
Project total value	R\$ 12,498,000.00
Value of the support from the Amazon Fund	R\$ 7,449,000.00
Period of execution	36 months (from the date of the contract)
Situation in 12.31.2011	Contracted on 4.15.2011
Amount disbursed (up to 12.31.2011)	R\$ 1,726,119.00

Context

The strengthening of sustainable forest management in the Amazon Biome, both the model used by businesses the one practiced by traditional communities, is the most important policy of forest asset valuation in the region, in other words, the one which encourages the maintenance of the forest. This practice has several environmental benefits (by minimizing the impact of logging),

social benefits (by providing an increase in the labor supply and in the income for communities and workers in the sector) and economic benefits (by increasing the still weak market of managed or certified wood, in order to turn it into a real alternative to the illegal market for wood and other forms of land use).

The new forest policy, instituted after the creation of the Brazilian Forest Service and approval of the Public Forest Management Law, is an important step in this direction and will allow access to significant supplies of wood from the region, encouraging its foresting vocation in a responsible way. One of the main bottlenecks pointed out by experts for the full success of this policy is the lack of skilled labor to implement good management practices in the Amazon forest.

The activities involved in management are not restricted to the period of logging, but also involve the preparatory and post-exploratory phases, including planning, implementation and monitoring of activities, which are not restricted to the period of logging. Estimates point to a need for at least five thousand trained professionals in the next ten years.

Besides the issue of critical shortages of qualified personnel, the development of a sustainable wood economy also faces the challenge of low awareness of the economic, social and environmental benefits from the practice of sustainable forest management and the need for the generation and dissemination of technical knowledge to continually improve its potential environmental and economic benefits.

Intervention Logic

The Tropical Forest Institute is a benchmark in sustainable forest management in the Amazon, with 15 years of experience in the region. It works mainly in the training, in creating awareness and researching the various components of forest management, highlighting the development and

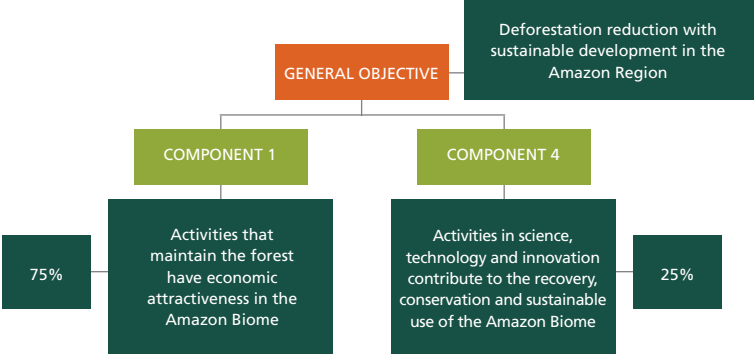
validation of techniques for Reduced Impact Exploitation (EIR) suitable for tropical forests.

The project aims to reduce the chronic dearth of labor in forest management in the region, as well as change the perception of the industry of the benefits of adopting best practices in logging compared to conventional exploration. These objectives will be achieved by strengthening the institution's activities in training and awareness by conducting in situ and ex situ courses, events and the production of technical material for publication.

Another important aspect of the project is to improve the social, economic and ecological sustainability of forest management by increasing its technical and scientific basis. The development of applied research and dissemination of knowledge and technologies generated are fundamental to the quality of services provided, besides contributing to improving the perception of society (including economic and institutional players, academia and social movements) on the benefits and challenges of forest management.

Efforts	Expected Results
Training and education	Running of 60 to 70 training courses in the Roberto Bauch Forestry Training Center (CT), covering a total of 900 people in CT.
	Running 40 training courses in the forests of family farmers, communities and small businesses, covering a total of 400 people.
Awareness	Running 40 to 70 events to raise awareness about forest conservation and management, covering a total of 2,100 people.
	Preparation of technical materials for dissemination of management, such as leaflets, newsletters and brochures, as well as a simplified manual on forest management.
Applied research	Conducting 12 experiments in applied research.
	Development of technical materials based on the results of applied research, such as scientific papers and technical manual on forest management.

FIGURE 30: INTERVENTION LOGIC



SUSTAINABLE FOREST MANAGEMENT STAGES

- Planning of pre-exploratory activities
 - macro-planning;
 - demarcation of plots (area of annual exploration);
 - forest inventory;
 - analysis of data; and
 - planning and construction of forest patios and roads.
- Exploratory activities
 - selection and marking of trees to be explored and tree seed-holders;
 - directional cutting of trees;
 - planning of drag and dragging of logs;
 - operations on the patio; and
 - forest transportation.
- Post-exploratory activities
 - silviculture treatments to catalyze the recovery of the forest;
 - assessment of damage and waste from exploration;
 - monitoring of forest growth; and
 - maintenance of infrastructure.

FIGURE 31: DISSEMINAÇÃO E APRIMORAMENTO DAS TÉCNICAS DE MANEJO FLORESTAL



Project: Nova Cartografia Social na Amazônia

Territorial coverage	All states of the Amazon Biome
Responsible for the project	Muraki Institutional Support Foundation <www.novacartografiasocial.com>
Intervening executing institution	Amazon State University
Beneficiaries	27 peoples and traditional communities in the region and the network of Peoples and Traditional Communities, which comprises approximately 70 researchers
Objective	To foster the social mapping of 27 communities of the Amazon Biome and the strengthening of the research network involved in the project
Total value of project	R\$ 4,614,587.03
Value of the support from the Amazon Fund	R\$ 4,614,587.03
Period of execution	36 months (from the date of the contract)
Situation on 12.31.2011	Contracted on 5.6.2011
Amount disbursed (up to 12.31.2011)	R\$ 740,869.38

Context

The occupation of territories in the Amazon by peoples and traditional communities – social groups that hold great knowledge on the ecosystems and biodiversity of the region – is an important factor for the preservation of floodplain and land forests. Because of this, the strengthening of associations and other forms of community organizations, as well as the consolidation and dissemination of practical knowledge of peoples and traditional communities, are important

strategies to multiply the native knowledge of forms of sustainable use of natural resources, thus helping to maintain the forest.

Intervention Logic

The University of the State of the Amazon (UEA) intends to portray, through a participatory working methodology, called social mapping, the reality of 27 peoples and communities living in the Amazon Biome, which will contribute to increase the knowledge of traditional forms of sustainable use of natural resources.

The main feature of this process is the preparation of maps, on which economic activities developed in the region, characteristics on the use of natural resources and forms of social organization in the community will be highlighted.

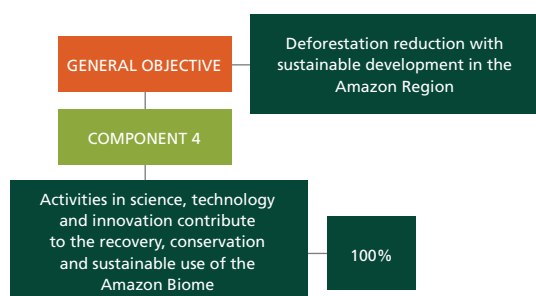
All of the process of developing these maps will be performed by members from the Network of Peoples and Traditional Communities and Researchers, a structure formed by nine state centers and university researchers and partner institutions working in the Amazon. The map workshops provided in the project will be conducted by this group of researchers, but will also count with the active participation of community members.

Part of the project also aims to strengthen this research network. Among the established efforts we can highlight: the upgrading of the physical space of the project headquarters, the consolidation of its nine state centers, the structuring of a database for storage of material generated by the project, and the holding of regional meetings and seminars to exchange information and integrate its members.

Expected Results

- 27 issues edited and published;
- 12 integrating meetings held, with full participation of approximately 1,100 people;
- Expanded laboratory infrastructure of the UEA; and
- Training of researchers.

FIGURE 32: INTERVENTION LOGIC



NOVA CARTOGRAFIA SOCIAL DA AMAZÔNIA

The Nova Cartografia Social da Amazônia project has been developed since July 2005 and is coordinated by the anthropologist Alfredo Wagner Berno de Almeida.

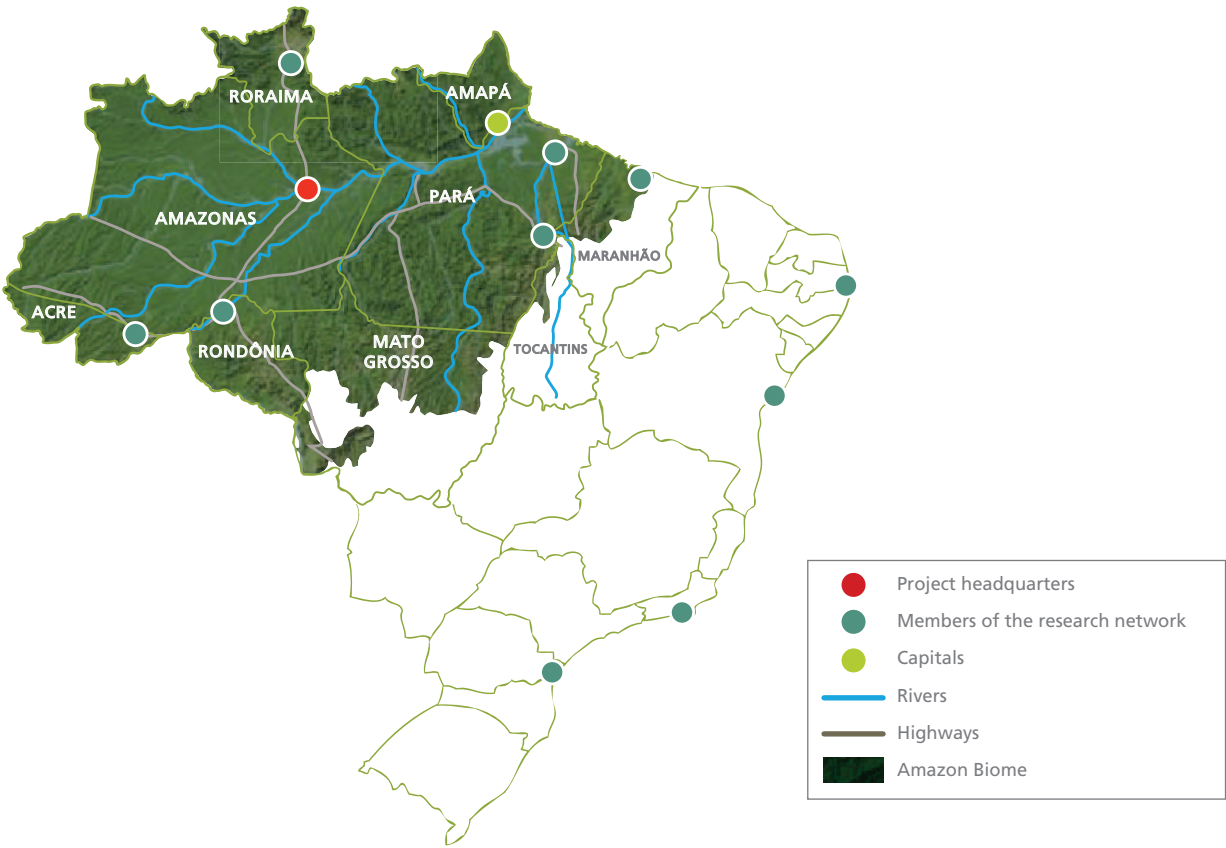
The objective is to perform social mapping of peoples and traditional communities in the Amazon. The project intends to focus on the diversity of cultural expression

combined with different collective identities seen in social movements. This is articulated together with the research project entitled Processes on Territorialization, Conflicts and Social Movements in the Amazon CNPQ-FAPEAM, implemented since December 2005. In 2006, the project expanded the mapping to outside the Amazon with the new project called Social Mapping of Peoples and Traditional Communities of Brazil (PPGSCA/UFAM – FUND. FORD – MMA – MDS).

From July 2005 to December 2010, approximately 105 issues were produced with communities located throughout Brazil, organized in different series.

Each issue is the result of a combination of work and social relations between traditional peoples and communities and the research team, which begins to take place in the workshop of maps and ends this mapping with the publication of the issue.

FIGURE 33: NOVA CARTOGRAFIA SOCIAL DA AMAZÔNIA



Project: Olhos d'Água da Amazônia

Territorial coverage	Municipality of Alta Floresta, state of Mato Grosso
Responsible for the project	Municipality of Alta Floresta, state of Mato Grosso < www.olhosdaguadaamazonia.altafloresta.mt.gov.br >
Beneficiaries	Local people, especially farmers
Objective	To support the strengthening of environmental management in the municipality through the implementation of environmental diagnostic and feasibility of the registration process for small rural properties in the Rural Environmental Registry (CAR), besides fostering efforts to foster the recovery of degraded permanent preservation areas near springs located in small rural properties
Total value of project	R\$ 2,781,340.40
Value of the support from the Amazon Fund	R\$ 2,781,340.40
Period of execution	36 months (from the date of the contract)
Situation on 12.31.2011	Contracted on 1.25.2011
Amount disbursed (up to 12.31.2011)	R\$ 2,351,888.94

Context

The municipality of Alta Floresta is located in the far northern area of the state of Mato Grosso, in an area of intense pressure from deforestation.¹¹ In 2007, it was included by the Ministry of

¹¹ According to historical records informed by the National Institute for Spatial Research (INPE), between 2001 and 2005 the state of Mato Grosso comes second in deforestation after the state of Pará.

the Environment in the list of priority municipalities for efforts in the monitoring and control of deforestation.¹²

Income in Alta Floresta is concentrated and influenced by the predominant economic activities, which are livestock farming and logging. As a consequence of the occupation dynamics of its territory and economic activities, environmental degradation is high in the municipality, which was originally covered by forests. According to data from the Municipal Environment of Alta Floresta (SECMA), 50% of the municipality was deforested, and from the nearly 6,500 springs, only 3,100 (49%) were preserved.

In addition, 42% of Permanent Preservation Areas (PPAs) of the municipality shows use and land coverage incompatible with the functions they should have, which affects the conditions of the region's water resources.

Intervention Logic

The Olhos d'Água da Amazônia project comprises a set of efforts to address the problem of environmental degradation of Alta Floresta, especially springs located on small rural properties (up to 200 hectares), preventing the impairment of water availability in the municipality.

To implement the project, the municipality counts with a wide social network of collaborators and support from several institutions, including NGOs, universities, local businesses and other municipal offices.

Among the activities of the project, we can highlight the inclusion of small farmers in the Rural Environmental Registry (CAR), an environmental management tool that allows for the definition of rural properties through georeferencing, identifying areas of permanent preservation and legal reserve, for environmental recovery and monitoring.

¹² Green Arc Operation (more details in the Introduction, Basic Concepts part).

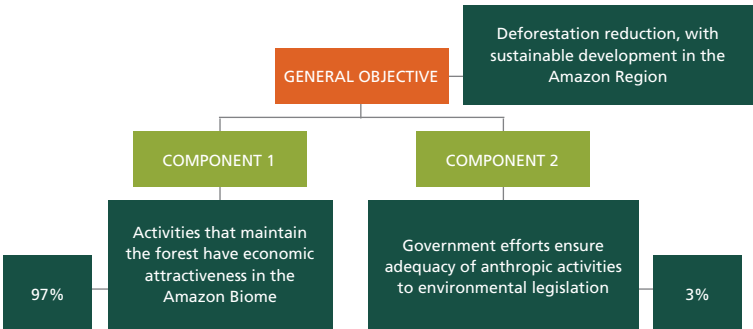
The project also provides for the support in the development of technical projects to recover APPs and to enable efforts in the recovery of springs in small farms, as well as the implementation of model projects of agroforestry systems for planting seeds and seedlings, and of establishing units with ecological management for grazing in 19 rural units from Alta Floresta.¹³

Besides contributing to the recovery of degraded areas, the Olhos d'Água da Amazônia project has the merit of providing the municipal administration with tools for improving and strengthening monitoring and controlling efforts, in a municipality with great deforestation pressure.

Expected Results

- Two thousand small properties registered;
- Approximately 1,200 springs recovered; and
- Agroforestry model projects implemented in 20 rural units for dissemination of the model in the rest of the municipality.

FIGURE 34: INTERVENTION LOGIC



¹³ The project from the Ouro Verde Institute (IOV), also supported under the Amazon Fund, provides for the recovery of degraded permanent preservation areas in six municipalities of the state of Mato Grosso, including Alta Floresta. We can highlight, however, that these two projects will work in different areas of the municipality. Read more about the Seeds of the Portal project in this chapter.

MUNICIPALITY OF ALTA FLORESTA

Located 830 km from Cuiabá, Alta Floresta has an area of 9,212 km² and a population of 49,233 inhabitants, resulting in a population density of 5.34 inhabitants/km².

Along with 15 other municipalities in the state, it forms the Amazon Portal Territory, a Federal Government initiative that seeks to universalize basic programs of citizenship through a strategy of sustainable territorial development. The municipality is the populational and economic center of this territory.

The Municipal Human Development Index (HDI-M) of Brazilian municipalities, as measured by the UNDP in 2000, was 0.779 for Alta Floresta, corresponding to an average index.

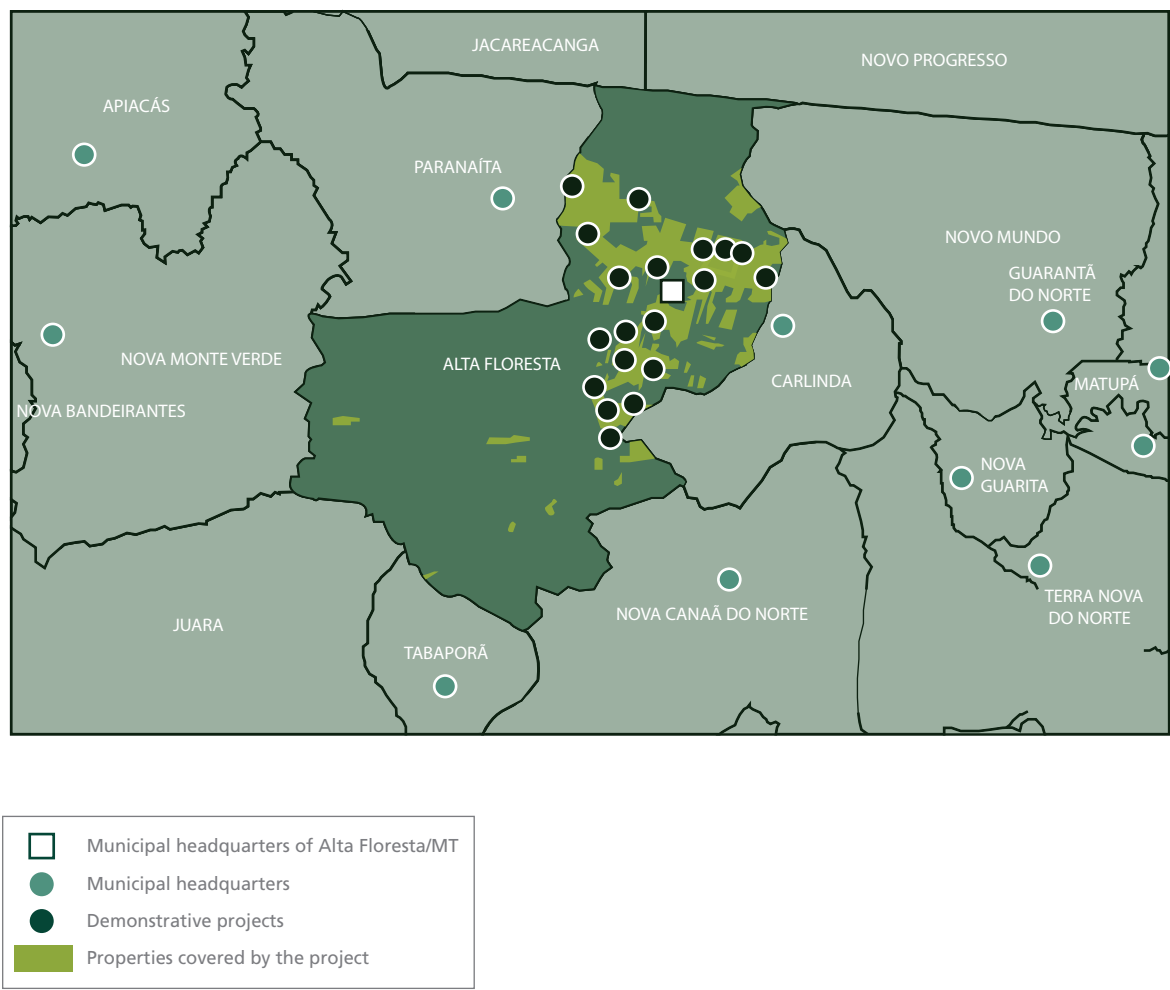
In 2008, the Alta Floresta GDP was R\$ 518 million, while GDP per capita was R\$ 10,100. In 2009, there were approximately 808,000 head of cattle in the municipality, representing more than 16 head of cattle per inhabitant.

Source: IBGE.

FIGURE 35: OLHOS D'ÁGUA DA AMAZÔNIA



FIGURE 36: PROJECT DETAILS



Project: Recupera Marcelândia

Territorial coverage	Municipality of Marcelândia, state of Mato Grosso
Responsible for the project	Municipality of Marcelândia, state of Mato Grosso <www.marcelandia.mt.gov.br>
Beneficiaries	Local people, especially farmers
Objective	To support the strengthening of municipal environmental management and recovery of degraded areas in the vicinity of 50 springs of the sub-basin of the Manissauá-Missu river, located near the urban area of the municipality
Total value of project	R\$ 686,630.30
Value of the support from the Amazon Fund	R\$ 669,126.00
Period of execution	18 months (from the date of the contract)
Situation on 12.31.2011	Contracted on 5.24.2011
Amount disbursed (up to 12.31.2011)	-

Context

The municipality of Marcelândia is located in the north of the state of Mato Grosso, in the areas of influence of the BR-163 (Cuiabá-Santarém) highway and integrates the Amazon Portal Territory.¹⁴ It is mainly formed by large and medium farms (84% of the total area), and the remainder of the territory is divided into areas of family farms (3%), settlements (1%) and indigenous lands (12%).

¹⁴ The Amazon Portal is composed of 16 municipalities: Alta Floresta, Apiacás, Carlinda, Colíder, Guarantã do Norte, Marcelândia, Matupá, Nova Bandeirantes, Nova Canaã do Norte, Nova Guarita, Nova Monte Verde, Nova Santa Helena, Novo Mundo, Paranaíta, Peixoto de Azevedo and Terra Nova do Norte.

The environmental situation of Marcelândia resembles that of other municipalities in the north of the state, which saw rapid expansion in the process of occupation, primarily through livestock and uncontrolled logging.¹⁵ However, the process of deforestation in recent years – Marcelândia is one of the 48 municipalities that comprise the Green Arc operation¹⁶ – is being gradually reduced. In 2009, the deforestation rate recorded zero variance in relation to the previous year.¹⁷

Intervention Logic

The project in the Marcelândia municipality is divided into two important efforts: institutional strengthening of the municipal Office of Environment and Tourism and the recovery of riparian vegetation around 50 springs from sub-basins from the Manissauá-Missu river, by planting seeds and seedlings produced in the municipal nursery.

In the first effort of the project, the municipal Office of Environment and Tourism will be equipped and its technicians will receive training in geotechnology tools, which will allow for the computer processing of georeferenced data, in other words, the use of computer programs to integrate cartographic data (maps, plans, topographical maps etc.) and data that may be associated with them (such as production activities, natural resources and population).

The second effort will address the problem of the degradation of deforested areas, especially riparian areas. According to data presented by the municipal Office of Environment and Tourism, from the 1,300 springs in the municipality, approximately 370 (28%) are highly degraded.

¹⁵ Despite the volume of extraction of logs, 70% of the territory of Marcelândia still has native forest remnants. Source: <www.territoriosdacidadania.gov.br>.

¹⁶ More information about the Green Arc Operation in the Introduction, Basic Concepts part.

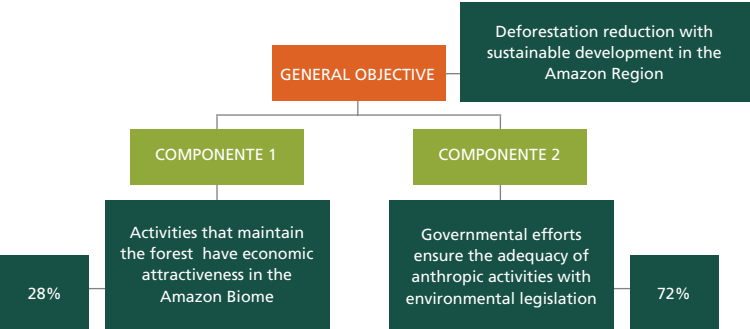
¹⁷ INPE data.

Within the scope of this project are included an environmental diagnosis of the areas to be recovered and the training of local community member, in addition to the establishment of an environmental recovery unit with a demonstrative nature in one of the properties, so that this model can be replicated by other farmers in the municipality.

Expected Results

- Strengthened efforts on monitoring and control in the municipality, which is part of the list of 48 municipalities with the highest rates of deforestation in the Amazon; and
- Some 157 hectares of permanent preservation areas recovered in the vicinity of 50 springs that are now degraded.

FIGURE 37: INTERVENTION LOGIC



MUNICIPALITY OF MARCELÂNDIA

Located 712 km from Cuiabá, Marcelândia has an area of 12,294 km² and a population of 11,994 inhabitants.

The Municipal Human Development Index (HDI-M) of Brazilian municipalities, as measured by the UNDP in 2000, was 0.771 for Marcelândia (state of Mato Grosso), corresponding to an average index. In 2008, the Marcelândia GDP was R\$ 162,5 million, while GDP per capita was R\$ 11,200.

In 2009, there were approximately 208,000 head of cattle in the municipality, representing 17 head of cattle per inhabitant.

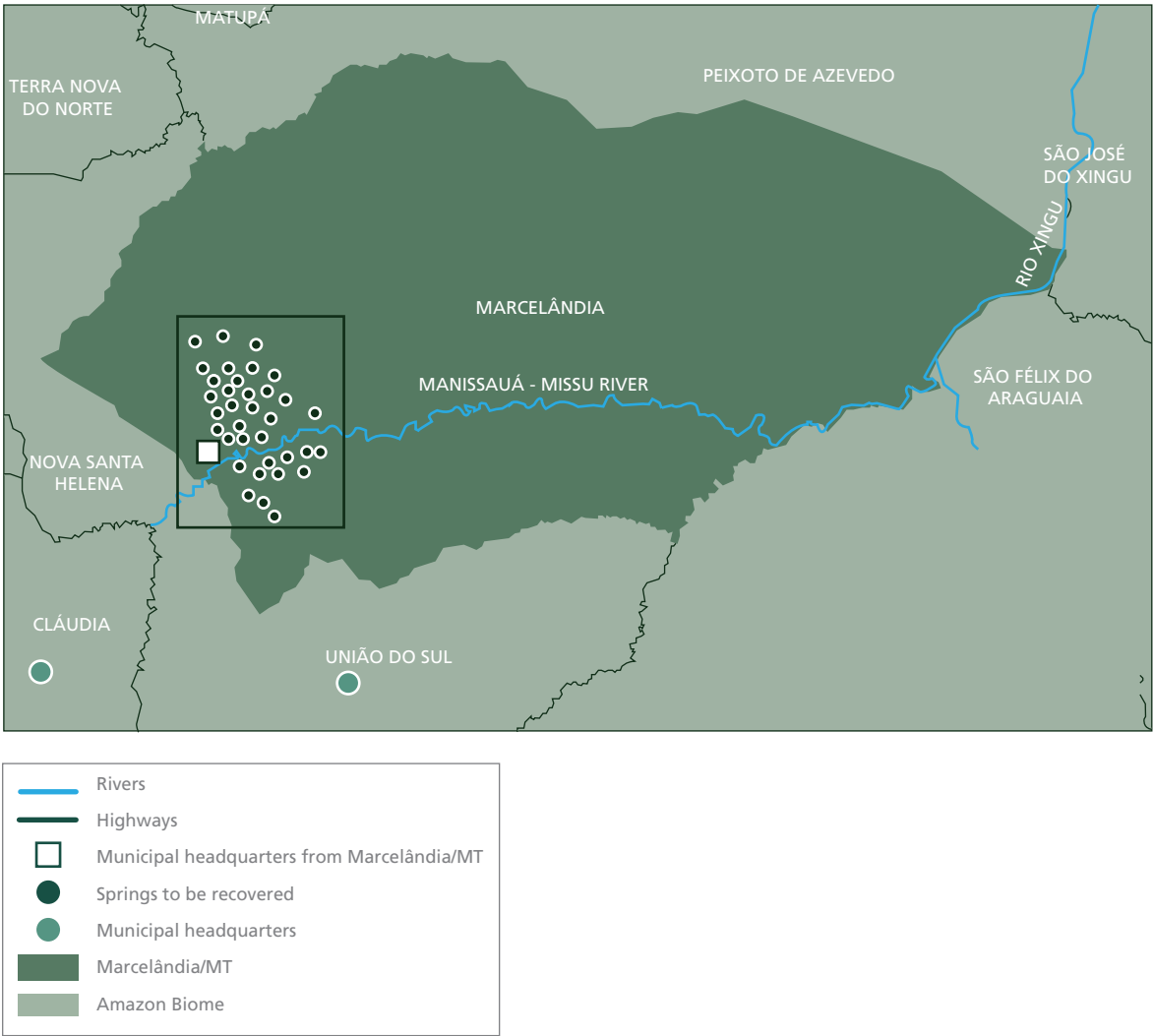
Source: IBGE.

The Marcelândia project will provide for the recovery of 50 springs in the sub-basin of the Minissauá-Missu river located in a radius of approximately 18 km in the vicinity of the urban area. The benefited properties have between twenty and two thousand hectares, with activities ranging from livestock farming to family farming. The project scope was defined by geographic factors, and acts first in regions with most altered land use, as determined by Municipal Environmental Zoning, as is the case with the area where the occupation of Marcelândia began and where can be found a population concentration and a higher rate of deforestation.

FIGURE 38: RECOVER MARCELÂNDIA



FIGURE 39: LOCATION OF SPRINGS



Project: Secretaria de Meio Ambiente (SEMA) do Pará

Territorial coverage	State of Pará
Responsible for the project	State of Pará <www.sema.pa.gov.br>
Beneficiaries	Population of the state of Pará, in particular farmers.
Objective	To support the strengthening of environmental management in the state of Pará by improving the process of issuance of CAR, the decentralization and deconcentration of the activities of its State Office of Environment and the improvement of the legal process of environmental licensing.
Total value of project	R\$ 15,923,230.00
Value of the support from the Amazon Fund	R\$ 15,923,230.00
Period of execution	24 months (from the date of the contract)
Situation on 12.31.2011	Contracted on 10.6.2011
Amount disbursed (up to 12.31.2011)	R\$ 3,216,379.62

Context

Pará is the second largest and most populous Brazilian state of all the Amazon Biome.¹⁸ Moreover, it is also the state with the highest rates of deforestation in the Amazon forest, reflecting the expansion of plant extractivism, livestock and, more recently, the widespread planting of soybean crops.

¹⁸ In Brazil, according to IBGE, the Amazon Biome covers an area of 3.6 million km², covering all the states of Acre, Amapá, Amazonas, Pará and Roraima, much of Rondônia (98.8%), more than half of Mato Grosso (54%) and part of the states of Maranhão (34%) and Tocantins (9%).

In recent years, however, the state government has been trying to reconcile environmental protection with socio-economic development, which is reflected by a decline in deforestation in the region. In 2011, according to preliminary data from the National Institute for Spatial Research (INPE), the rate of deforestation in Pará fell 23.9% compared to the previous year.

Intervention Logic

The project aims to strengthen the municipalities and regions and to increase the efficiency of the environmental management in the entire state.

The strategy of this project is to decentralize and deconcentrate the activities of the Office of Environment of Pará (SEMA/PA) by restructuring its municipal headquarters of and by implementing and strengthening regional units.

For the decentralization of the activities of SEMA/PA, efforts will take place on the physical and operational structure of the municipal environment administrative units in 40 municipalities, including the strengthening of the technological infrastructure and training of human resources to support the issuance of CAR and to improve the legal process of environmental licensing.

Decentralization of environmental management in the state provides for implementation efforts and strengthening of regional units, bringing the SEMA/PA closer to the inhabitants and to the economic agents in the most remote regions of Belém. To achieve this goal, a restructuring of the regional units in the municipalities of Marabá, Santarém, Paragominas and Altamira, besides the headquarters of SEMA/PA itself in Belém, will take place.

Expected Results

- Structured municipal environmental units (decentralization of activities from SEMA/PA);
- Decentralization of environmental management activities from SEMA/PA;
- Enhanced technological infrastructure and human resources trained to issue CAR; and
- Legal process of environmental licensing enhanced.



FIGURE 40: INTERVENTION LOGIC

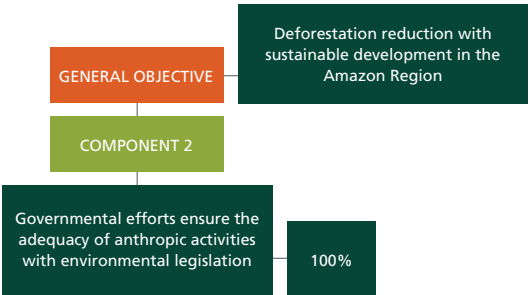
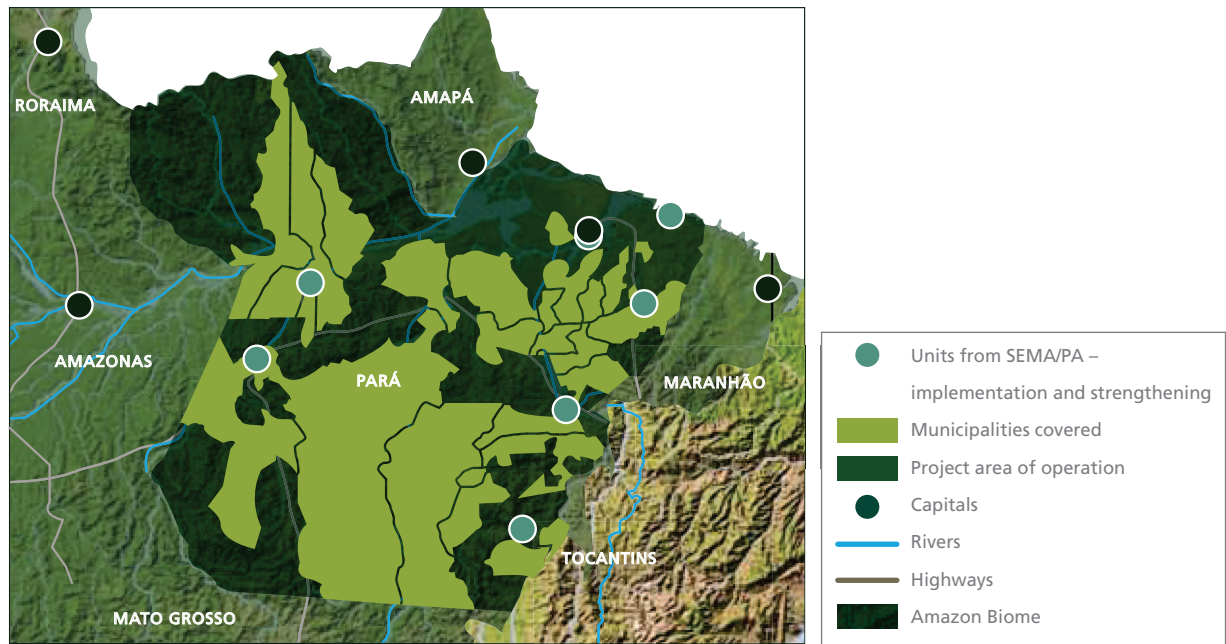


FIGURE 41: OFFICE OF ENVIRONMENT (SEMA) OF PARÁ



Project: Secretaria do Estado do Meio Ambiente e Desenvolvimento Sustentável (SDS) do Estado do Amazonas

Territorial coverage	Municipalities in the south of the state of Amazonas (Boca do Acre, Lábrea, Apuí and Novo Aripuanã)
Responsible for the project	State of Amazonas <www.sds.am.gov.br>
Beneficiaries	Populations in the municipalities of Boca do Acre, Lábrea, Apuí and Novo Aripuanã
Objective	To strengthen environmental management in areas under intense pressure from deforestation in the state of Amazonas by developing legal framework for registration (CAR); incentives for environmental and landtitle regularization; improvement of mechanisms for environmental licensing and monitoring; and recovery of deforested areas through reforestation with an economic and ecological focus.
Total value of project	R\$ 20,000,000.00
Value of the support from the Amazon Fund	R\$ 20,000,000.00
Period of execution	36 months (from date contract was signed)
Situation on 12.31.2011	Contratado em 12.17.2010
Amount disbursed (up to 12.31.2011)	R\$ 1,129,355.42

Context

The state of Amazonas has the largest forest heritage of Brazil. It has 140 million hectares of native forests, and approximately 52% of the territory is legally protected, consisting of 28%

of indigenous lands, 12% of state conservation units and 12% of federal conservation units. It has the lowest rate of deforestation in the Amazon Region (approximately 2%), although the municipalities located in the south of the state have high rates of deforestation. The most important reasons are: migration pressure from neighboring states, the lack of integrated policies aimed at sustainable development in the region, incipient land-title regularization, and the lack of control and permanent environmental monitoring.

Intervention Logic

The Amazon project will perform efforts in four municipalities in the south of the state – Boca do Acre, Lábrea, Apuí and Novo Aripuanã –, which present relevant deforestation indicators.

The first effort is aimed at strengthening the environmental management through the development of technical standards for the establishment and implementation of CAR and the performance of the Environmental Licensing of Sustainable Production in the four municipalities.

The second effort will consist of land-title regularization in state areas, in the municipalities of Boca do Acre and Nova Aripuanã, targeting approximately 800 properties. This regularization will include a registry, a socio-economic survey, an inspection, a process of formalization, the granting of provisional titles, topographical demarcation, georeferencing and the granting of permanent titles.

The third effort is aimed at recovering deforested areas through reforestation with species that have an ecological and economic function. For this, awareness workshops will be held in local companies and training and technical assistance through practices of sustainable use and management of natural resources, using demonstration units in which producers can observe the methods of implementation and the results of agroforestry systems.

The project will be implemented by the State Office of Environment and Sustainable Development (SDS), in partnership with the Institute for Sustainable Development of Agriculture and Forestry of the State of the Amazon (IDAM), the Environmental Protection Institute of the Amazon (IPAAM), the Land Institute of the Amazon (ITEAM), the municipal Offices of Environment, municipal Offices of Rural Production and other agencies specialized in environmental recovery.

Expected Results

- Degraded lands recovered through reforestation with ecological and economic goals;
- Land-title regularization of eight hundred properties, on state lands under intense deforestation pressure; and
- Environmental licensing process perfected.

FIGURE 42: INTERVENTION LOGIC

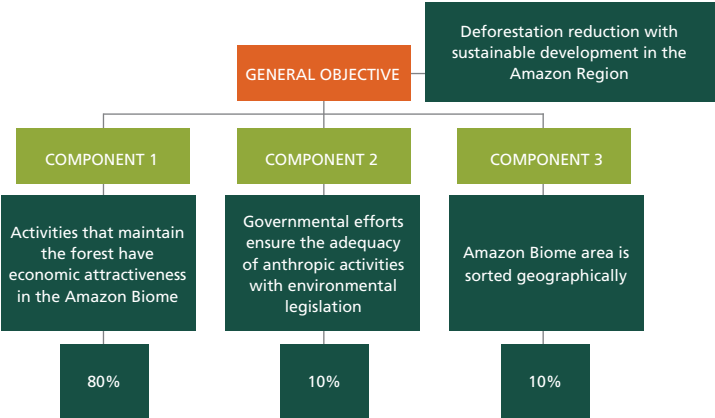
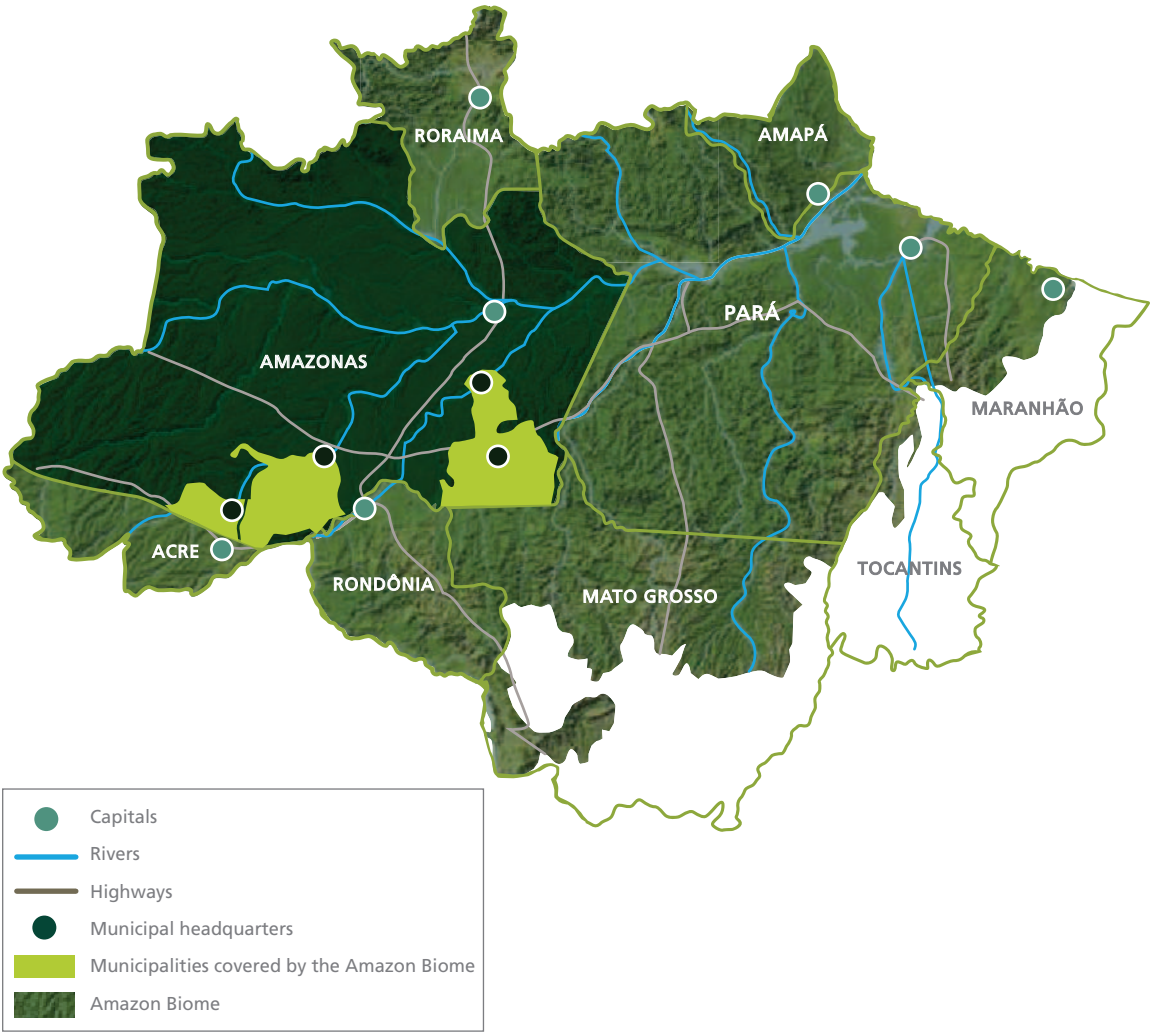


FIGURE 43: SECRETARIA DO ESTADO DO MEIO AMBIENTE E DESENVOLVIMENTO SUSTENTÁVEL (SDS)
DO ESTADO DO AMAZONAS



Project: Valorização do Ativo Ambiental Florestal

Territorial coverage	State of Acre
Responsible for the project	Government of the state of Acre <www.ac.gov.br>
Beneficiaries	Settlers and family farmers
Objective	To foster sustainable practices to reduce deforestation through payment for environmental services, adding value to environmental and forest assets to consolidate a clean, fair and competitive economy, based on Ecological-Economic Zoning
Total value of project	R\$ 66,700,000.00
Value of the support from the Amazon Fund	R\$ 60,000,000.00
Period of execution	36 months (from date contract was signed)
Situation on 12.31.2011	Contracted on 11.19.2010
Amount disbursed (up to 12.31.2011)	R\$ 31,557,354.63

Context

The state of Acre is one of the most active in implementing integrated environmental and land management, besides seeking effective instruments for fostering an economy that incorporates, in a sustainable way, forest products and services. The main example of this line of work is the Ecological-Economic Zoning (ZEE), prepared at 1:250,000 scale, which guides government efforts and establishes specific areas for conservation and environmental protection, identifying areas to foster forest, agriculture and agroforestry management. We can also highlight the strengthening

of the production chain of natural rubber with payments being made for environmental services to rubber gatherers (Chico Mendes Law)¹⁹ and added-value initiatives such as the installation of a condom factory, the only one in the world to use native latex rubber. The plant currently produces 100 million condoms per year.

Deforestation in the state has been falling in recent years. According to the Program for Calculation of the Deforestation of the Amazon (PRODES), used by the National Institute for Spatial Research (INPE), Acre had a 54% reduction in deforestation between 2005 (592 km²) and 2010 (273 km²). However, some factors that represent a deforestation threat to the area can still be identified, such as increased participation of small farmers in deforestation, use of inappropriate techniques in farming, increased incidence of fires, limited capacity of agencies for control and inspection and management processes that are still too centralized.

In addition to structuring policies that foster regional planning and strengthening of production chains, the Acre state government instituted the Policy for the Appreciation of Environmental Assets, aimed at establishing the basic guidelines for the implementation of payment mechanisms for environmental services. Launched in September 2008, this policy is being implemented through a joint and integrated strategy in the municipal and state levels, involving Offices and local authorities that comprise the area of sustainable development of the state government, in conjunction with the municipal governments and organized social movement.

Intervention Logic

The project from the state of Acre aims to support a policy of appreciation of environmental and forest assets through the strengthening of integrated territorial management, fostering forestry

¹⁹ State Law No. 1,277/99, in force in the state of Acre, which pays rubber farmers a subsidy for the environmental services provided, in the amount of R\$ 0.70 per kilo of rubber traded.

and agroforestry supply chains and fostering technical and financial incentives to environmental services. This plan is being implemented in accordance with the principle that payments for environmental services (financial and economic incentives) are linked to the adoption of sustainable practices and environmental criteria.

The containment and continuous decrease of deforestation in the state demands improvements in monitoring, controlling and surveillance systems of degraded areas by strengthening the technical bases of the institutions responsible for land management. This includes the modernization of the Central Unit of GIS and Remote Sensing (UCEGEO), the strengthening of the Environment Institute of Acre (IMAC) and the State Office of Forestry of the State of Acre (SEF) and the elaboration and implementation of Municipal Prevention Plans of Control of Deforestation.

The plan also provides for the structuring of incentives for environmental services, focused on the integration and consolidation of sustainable production practices, for forest management of wood and non-wood products, and for carbon sequestration through reforestation of degraded areas. In support of the adoption of sustainable production practices, it is expected that the development of mechanisms for assistance to communities involved, to family farmers and landowners, such as Community Development Plan, Indigenous Land Management Plan, Certification Plan of Sustainable Property and Regulating Plan of Environmental Liabilities.

Expected Results

- Strengthened integrated territorial management;
- Fostered forestry and agroforestry production chains; and
- Technical and financial incentives to environmental services.

FIGURE 44: INTERVENTION LOGIC

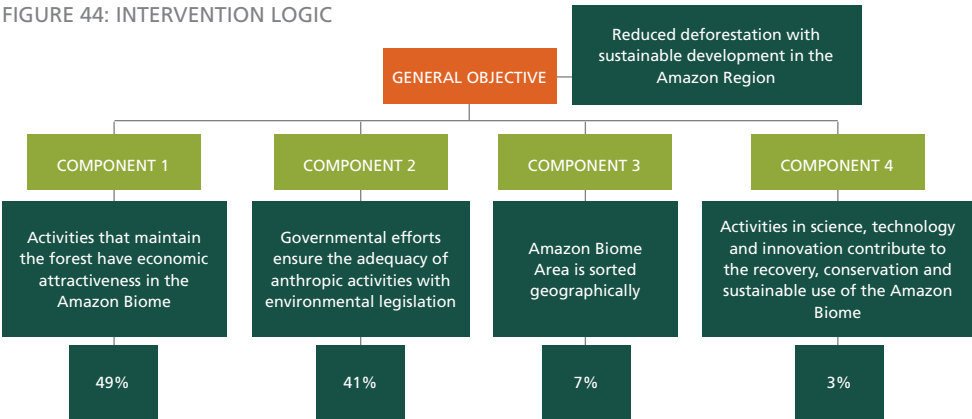


FIGURE 45: PROJECT STRUCTURE

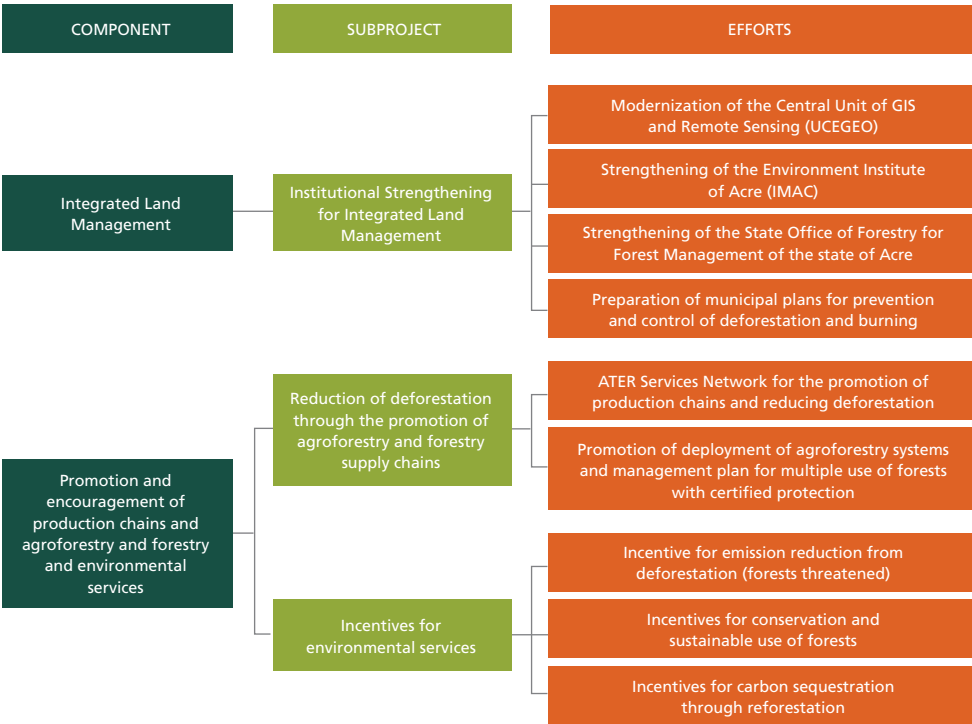
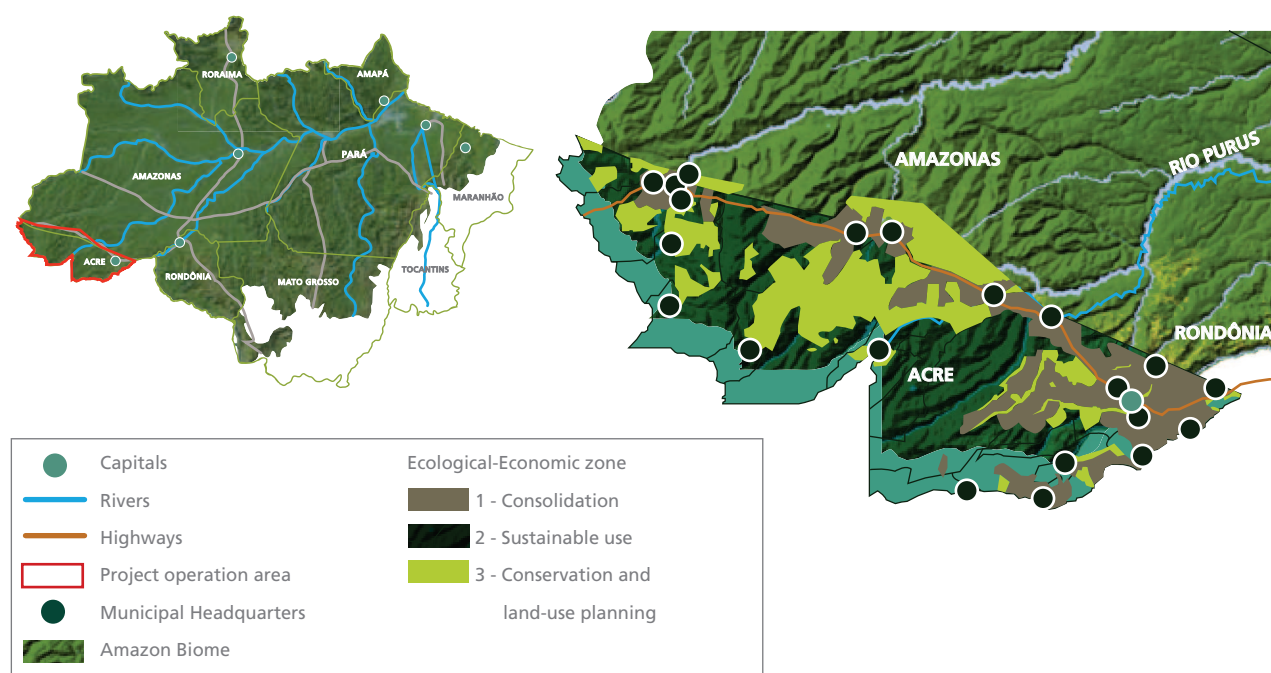


FIGURE 46: VALORIZAÇÃO DO ATIVO AMBIENTAL FLORESTAL



ZEE FROM THE STATE OF ACRE

The preparation of the territorial management mapping involved a “stratification” of the Acre territory into four major zones, which have the following general characteristics:

Zone 1 – Consolidation of sustainable production systems

These are areas of direct influence of the BR-364 and BR-317 highways, and are the oldest occupied areas of the state, with both

agricultural and logging activities. They are also where new fronts of expansion and conversion of forest areas for the development of agricultural activities are taking place. These areas are occupied by family farmers in settlement projects, small producers, medium and large farmers and are home to forest areas in large rubber plantations.

Zone 2 – Sustainable use of natural resources and environmental protection

Protected areas in the form of Conservation Units of Integral Protection and Sustainable Use and Indigenous Lands. The Differentiated Settlement Projects are included in this zone, as its population is predominantly extractive and sustainable use of natural resources is its main source of economic activity.

Zone 3 – Priority areas for territorial planning

Areas demanded by traditional populations and/or recommended by technical studies from ZEE-Acre for the creation of new protected areas, indigenous lands and differentiated settlement projects.

Zone 4 – Forest cities

Municipal areas characterized by different urban spaces surrounded by different landscape with predominance of forests. The stratification of the 22 Acre cities into sub-zones has as its criterion their insertion in river sub-basins.

2009 PROJECTS

Project: Áreas Protegidas da Amazônia (ARPA) – Fase 2

Territorial coverage	All states of the Amazon Biome
Responsible for the project	Brazilian Fund for Biodiversity (FUNBIO) <www.programaarpa.org.br>
Beneficiaries	Residents and the surrounding residents; employees and institutions responsible for management; management councils; and municipalities involved in the conservation units territories covered by the project.
Objective	To support the creation and consolidation of conservation units in the Amazon Biome, to ensure the conservation of biodiversity and maintenance of ecological processes and services in the region.
Project total value	R\$ 164,294,880.00
Value of the support from the Amazon Fund	R\$ 20,000,000.00
Period of execution	48 months (from the date of the contract)
Situation on 12.31.2011	Contracted on 4.22.2010
Amount disbursed (up to 12.31.2011)	R\$ 4,999,230.90

Context

The creation of protected areas is an important strategy for biodiversity conservation. Brazil, as a signatory of the UN Convention on Biological Diversity (CBD), has significant goals in protecting its ecosystems. In the Brazilian Amazon, the effort to achieve this goal has advanced significantly in

recent decades, with the creation of conservation units covering 22.2% of the Amazon Biome, in the categories of Integral Protection and Sustainable Use.

With an advancement in the understanding and ensuing mobilization of society in discussing climate change, the enormous contribution made by conservation units became evident, with its focus on preserving forest ecosystems, on the maintenance of carbon stocks, especially in the Amazon, home to large areas of forests and an intense process of deforestation.

The inception, in 2000, of the National System of Conservation Units (SNUC) established the current instruments for the creation and management of conservation units, as well as their categorizations. At the federal level, the Chico Mendes Institute for Biodiversity Conservation (ICMBIO), established in 2007, is the main executor of SNUC activities. It is up to the institute to propose, implement, manage, protect, enforce and monitor the conservation units established by the Union.

Intervention Logic

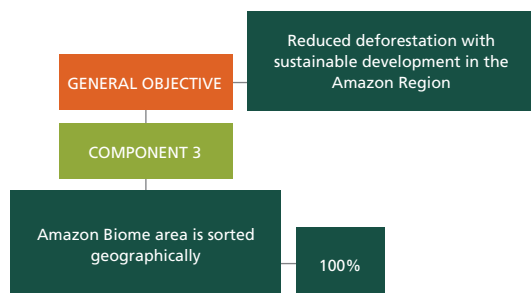
The Protected Areas of Amazon Program (ARPA) is considered one of the largest in the world in environmental conservation. The first phase, executed between 2002 and 2009, supported the creation and consolidation of 43 conservation units, amounting to 24 million hectares, besides supporting the consolidation of another 8.5 million hectares of conservation units created previously.

Additionally, the program supported the creation and implementation of SISARPA – computerized system of coordination and management of the ARPA Program – and held 14 community projects in the areas surrounding conservation units of integral protection. It also capitalized approximately US\$ 29.7 million in a fund (FAP – Protected Areas Fund) that will act in the future as a financial mechanism to provide long-term financial sustainability for conservation units consolidated under this program.

Expected Results

- Create new conservation units (covering 13.5 million hectares) in areas of biogeographic representativeness;
- Consolidate conservation units (covering 31.6 million hectares), with construction of basic infrastructure, signaling, protection, biodiversity monitoring, preparation of management plan and training and maintenance of advisory/deliberative boards;
- Structuring of conservation units members of the program that involves the integrated and participatory management;
- Prepare strategic planning of all conservation units and stimulate the creation of mosaics management; and
- Promote financial sustainability, with strategies for raising and preservation of capital from the trust fund in the long term and the identification of appropriate mechanisms for revenue generation.

FIGURE 47: INTERVENTION LOGIC



Map of the Amazon region in Brazil, showing state boundaries, major rivers, highways, and conservation units. The map highlights the states of Acre, Roraima, Amazonas, Pará, Amapá, Rondônia, Mato Grosso, Tocantins, and Maranhão. Conservation units are color-coded: orange for Integral Protection and dark green for Sustainable Use. Capitals are marked with green circles. The map shows a dense network of rivers and highways across the region.

- Capitals
- Rivers
- Highways
- Conservation units – Integral Protection
- Conservation units – Sustainable Use

NATIONAL SYSTEM OF CONSERVATION UNITS

The National System of Conservation Units (SNUC) is the set of federal, state and municipal conservation units. It consists of 12 categories of conservation units, whose specific objectives differ as to the form of protection and permitted uses: those who need more care, because of their frailty and circumstances, and those that can be used in a sustainable way and conserved at the same time.

Integral Protection Units

Ecological Station: area aimed at nature conservation and realization of scientific research. Can be visited only with educational objectives.

- Biological Reserve: area aimed at the conservation of biological diversity, in which recovery measures are applied to deforested ecosystems in order to recover the natural balance and to preserve biodiversity. Can be visited only with educational objectives.
- National Parks: area aimed at the conservation of natural ecosystems and sites of scenic beauty. The park is the category that allows for greater interaction between visitors and nature, as it allows the development of recreational, educational and environmental activities, as well as the realization of scientific research.
- Natural Monument: area aimed at the preservation of places with a unique, rare and of great scenic beauty, allowing diverse

visitation activities. This category of conservation unit may consist of particular areas, provided that activities performed in these areas are compatible with the conservation unit objectives.

- **Wildlife Refuge:** area aimed at the protection of natural environments, which aim to ensure conditions for the existence and reproduction of species or communities of the local flora and fauna. Allows various activities of visitation and the existence of particular areas, as well as Natural Monuments.

Sustainable Use Units

- **Environmental Protection Area:** area endowed with natural, aesthetic and cultural attributes important to the quality of life and well-being of human populations. Generally, it is an extensive area so as to protect biological diversity, order the process of human occupation and ensure the sustainable use of natural resources. It consists of public and private lands.
- **Area of Relevant Ecological Interest:** area aimed at preserving the natural ecosystems of regional or local importance. Generally, it is a small area, with little or no human occupancy and unique natural characteristics. It consists of public and private lands.
- **National Forest:** area with a forest coverage in which native species are predominant, where the aims is sustainable and diversified

- use of forest resources and scientific research. The permanence of traditional populations that inhabit this region has been allowed since its inception.
- Extractive Reserve: natural area used by traditional extractive populations in which their activities are exercised based on extraction, subsistence agriculture and the creation of small animals, ensuring the sustainable use of natural resources. Public visitation and scientific research is allowed.
- Fauna Reserve: natural area with populations of native animals, on land or water. Suitable for technical and scientific studies on sustainable economic management of wildlife resources.
- Sustainable Development Reserve: natural area where traditional people live and rely on sustainable exploitation systems of natural resources. Public visitation and scientific research is allowed.
- Private Reserve of Natural Heritage: private area aimed at conserving biological diversity; scientific research, tourism, recreational and educational visitation is allowed. This area is created by the owner, which may be supported by government agencies from SNUC in the management of the conservation unit.

Project: Bolsa Floresta

Territorial coverage	20 state conservation units (UCs) in the Amazon, covering approximately ten million hectares
Responsible for the project	Amazonas Sustainable Foundation (FAS) <www.fas-Amazonas.org>
Beneficiaries	UCs population served by the project, from 14 to 20 UCs until 2013
Objective	To foster the containment of deforestation and the improvement of the quality of life of traditional peoples living in state UCs in the Amazon.
Total value of project	R\$ 29,934,645.00
Value of the support from the Amazon Fund	R\$ 19,169,087.00
Period of execution	60 months (from the date of the contract)
Situation on 12.31.2011	Contracted on 3.31.2010
Amount disbursed (up to 12.31.2011)	R\$ 7,109,501.00

Context

The state of Amazonas has approximately 98% forest coverage. The so-called “forest core” of the biome has remained well preserved, largely by the low presence of deforestation pressures from colonization projects, highways and predatory activities in logging and livestock farming. On the other hand, the occupation by traditional and indigenous peoples in significant areas played an active role in the conservation of these territories. In the state of Amazonas, nearly half of the surface of the state is under some protection category.

However, the creation of a conservation unit does not guarantee by itself its environmental preservation. Several other initiatives, in management, supervision, and especially in appreciating forest assets are necessary, so there are incentives available for their maintenance. For units established for sustainable use, their preservation depends on the involvement and improvement of the quality of life of their populations through social policies that are appropriate to their reality, community strengthening and the expansion of income generation opportunities in sustainable activities.

We must take into account that there are pressures from predatory activities, represented by the deforestation arc, mainly in the southern area of the state. Moreover, the lack of sustainable economic alternatives make forest clearing one livelihood strategy in the region.

Intervention Logic

The Forest Allowance Program (PBF) acknowledges, values and rewards the traditional populations, that make a formal commitment to zero deforestation.

PBF fosters direct income transfer to families who adhere to the agreement of no deforestation, granting comprehensive benefits, structured to encourage membership, income, sustainable production and basic social services through its four components: Income, Social, Association and Family.

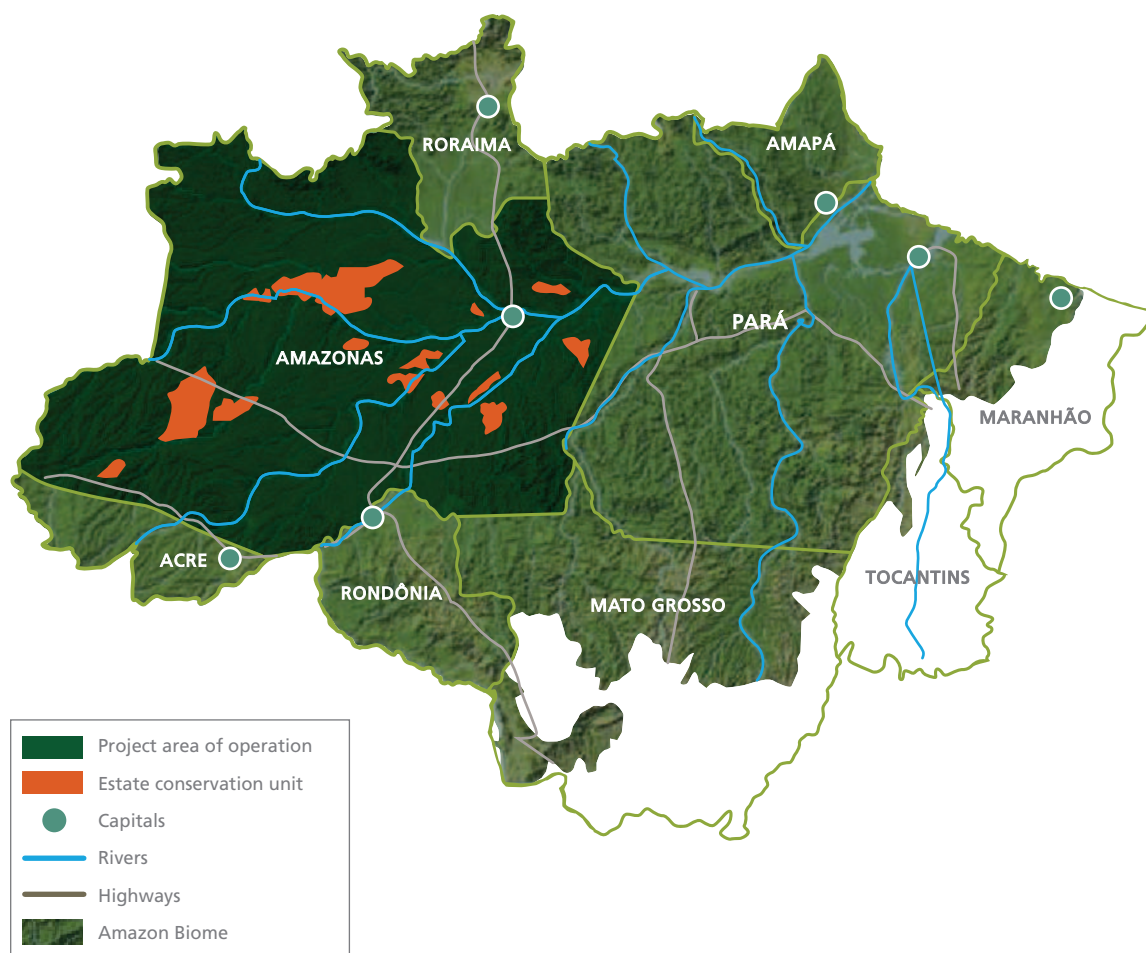
In addition, support programs are being implemented to perform activities of a structural nature, divided into five topical categories: sustainable production, health and education, supervision and monitoring, management of conservation and scientific development.

The contributions to the project are distributed as follows: 58% for the Income component, 10% for the Association component, with support from the Amazon Fund, and 32% for the efforts of support programs, with resources from counterparties.

Expected Results

- Some 3,950 new families served, amounting to 10,000 families benefiting from the Forest Allowance; and
- Increase from 14 to 20 conservation units included in the program.

FIGURE 49: FOREST ALLOWANCE



THE FOUR COMPONENTS OF THE FOREST ALLOWANCE PROGRAM

FOREST ALLOWANCE INCOME (BFR):

Aims to support sustainable production: fish, vegetable oils, fruits, honey and nuts, among others. The goal is to foster production arrangements and certification of products that enhance the value received by the producer. Eligible activities are all those that do not cause deforestation, are legalized and value the forest. Examples of investment: storage infrastructure, boats and tractors for the transportation of produce.

SOCIAL FOREST ALLOWANCE (BFS):

Dedicated to improving education, health, communication and transportation, basic components for the construction of citizenship of forest dwellers. Efforts are developed in partnership with responsible government agencies and other institutions. Examples of investment: radios to facilitate emergency care, and ambulances to move patients from isolated locations.

FOREST ALLOWANCE ASSOCIATION (BFA):

Aimed at associations of residents from conservation units, equivalent to 10% of the sum of all Family Forest Allowance. Its function is to foster participatory management through the strengthening of community organization, strengthening communities and social

control of the Forest Allowance Program, aimed at the implementation of conservation unit.

Examples of investment: construction of headquarters and association kit (computer, printer, solar energy kit and motorboat).

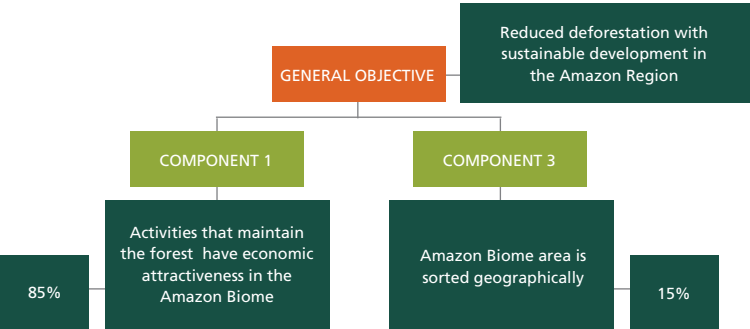
FAMILY FOREST ALLOWANCE (BFF):

Aims to involve the families of residents and users from state conservation units in the reduction of deforestation and to foster the forest. This modality also seeks to foster the understanding of the socioeconomic and environmental reality in order to improve the efficiency in the use of resources and in the evaluation of investment results. In practice, it is a monthly payment of R\$ 50, delivered to the mothers of families living in conservation units, who are willing to make a commitment to environmental conservation and sustainable development. The BFF is not a salary and does not intend to be the main source of family income. It is a supplemental income paid as a reward for forest conservation.

Note: Among the components of the Forest Allowance, the Amazon Fund contributes resources in BFR and BFA.

Source: FAS.

FIGURE 50: INTERVENTION LOGIC



Project: Imazon

Territorial coverage	11 municipalities from the State of Pará
Responsible for the project	Imazon (Institute of Man and Environment in the Amazon) <www.imazon.org.br>
Beneficiaries	Total population of 11 municipalities (approximately 482,000 inhabitants, according to 2008 Census, IBGE)
Objective	To mobilize state and municipal governments, farmers, unions and associations aiming to accelerate the use of CAR (Rural Environmental Registry); to monitor deforestation through satellite images; and to assist in landscape planning and restoration of degraded areas in the basin of the Uraim river in the municipality of Paragominas.
Total value of project	R\$ 9,736,473.00
Value of the support from the Amazon Fund	R\$ 9,736,473.00
Period of execution	36 months (from the date of the contract)
Situation on 12.31.2011	Contracted on 7.29.2010
Amount disbursed (up to 12.31.2011)	R\$ 3,576,456.36

Context

The state of Pará is one of the units of the federation with the highest rates of deforestation, according to 2009 data from the National Institute for Spatial Research (INPE). Deforestation in the state covers an area of 245,000 km², corresponding to 20% of its territory. Approximately 11 municipalities from the state of Pará will be benefited: Abel Figueiredo, Bom Jesus do Tocantins, Breu Branco, Dom Eliseu, Goianésia do Pará, Itupiranga, Jacundá, Paragominas, Rondon do Pará, Tailândia and Ulianópolis.

Municipalities covered by this project belong to the mesoregion of Southeast Pará (except Tailândia). Cattle, with herds with a little over two million head, stands out as one of the main economic activities in the region. The state of Pará has the fifth largest cattle herd in the country, with approximately 17 million head, and the main agricultural products are rice, beans, corn and soybeans (IBGE, 2009).

It should also be noted that six of the 11 municipalities covered by the project were included in a list from the Ministry of the Environment of priority municipalities in the prevention and control of deforestation in the Amazon.

Intervention Logic

The project developed by Imazon in the state of Pará is based on encouraging adherence to the Rural Environmental Registry (CAR) by landowners, making possible environmental regularization of properties and increasing access to credit.

In addition, CAR will allow state and municipal environmental agencies to more accurately understand the rural areas of their territories. Adherence to CAR involves the commitment of landowners – through the signing of a Term of Conduct Adjustment (TAC) – to recover degraded areas, which will also help in the exclusion of these 11 municipalities from the list of most deforested municipalities in the Amazon.

The project provides for the monitoring of deforestation in these municipalities through satellite images. Imazon will use its system of monthly monitoring of deforestation, based on the Deforestation Alert System (SAD), in order to guide efforts to support surveillance and deforestation reduction.

We can also note that in the territory of Paragominas – which is one of the municipalities benefited by the project – lies the Uraim Basin that has a large part of its permanent preservation area degraded,

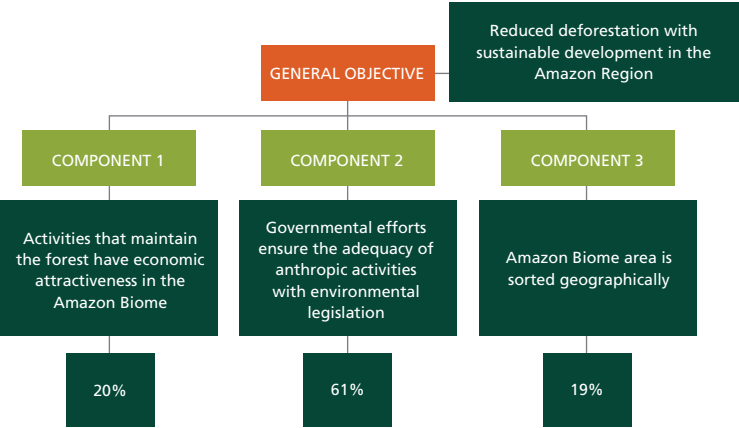
putting at risk the water supply of the municipality. Approximately 185 km long, the Uraim river provides approximately 80% of Paragominas' water, and one of the objectives of the project is the landscape planning of the Uraim Basin in the municipality in order to restore degraded areas.

Through the analysis of satellite images, the varying degrees of degradation of the area will be identified to define the most appropriate course of action. Based on this information, the recovery plan of the basin will be elaborated, which will be useful for: (i) to guide the enforcement of Terms of Conduct Adjustment of properties in this region for environmental regulation of CAR; (ii) to assist the implementation of the planting of saplings program from city hall; and (iii) to support the analysis of potential business opportunities with carbon sequestration through forest recovery in this region.

Expected Results

- Municipalities trained so they can leave the list of the Ministry of the Environment of priority areas for prevention and control of deforestation in the Amazon;
- Established environmental agreements to reduce deforestation;
- Increased transparency on environmental and land-title regularization;
- Prepared planning to recover degraded areas in the Uraim Basin.

FIGURE 51: INTERVENTION LOGIC



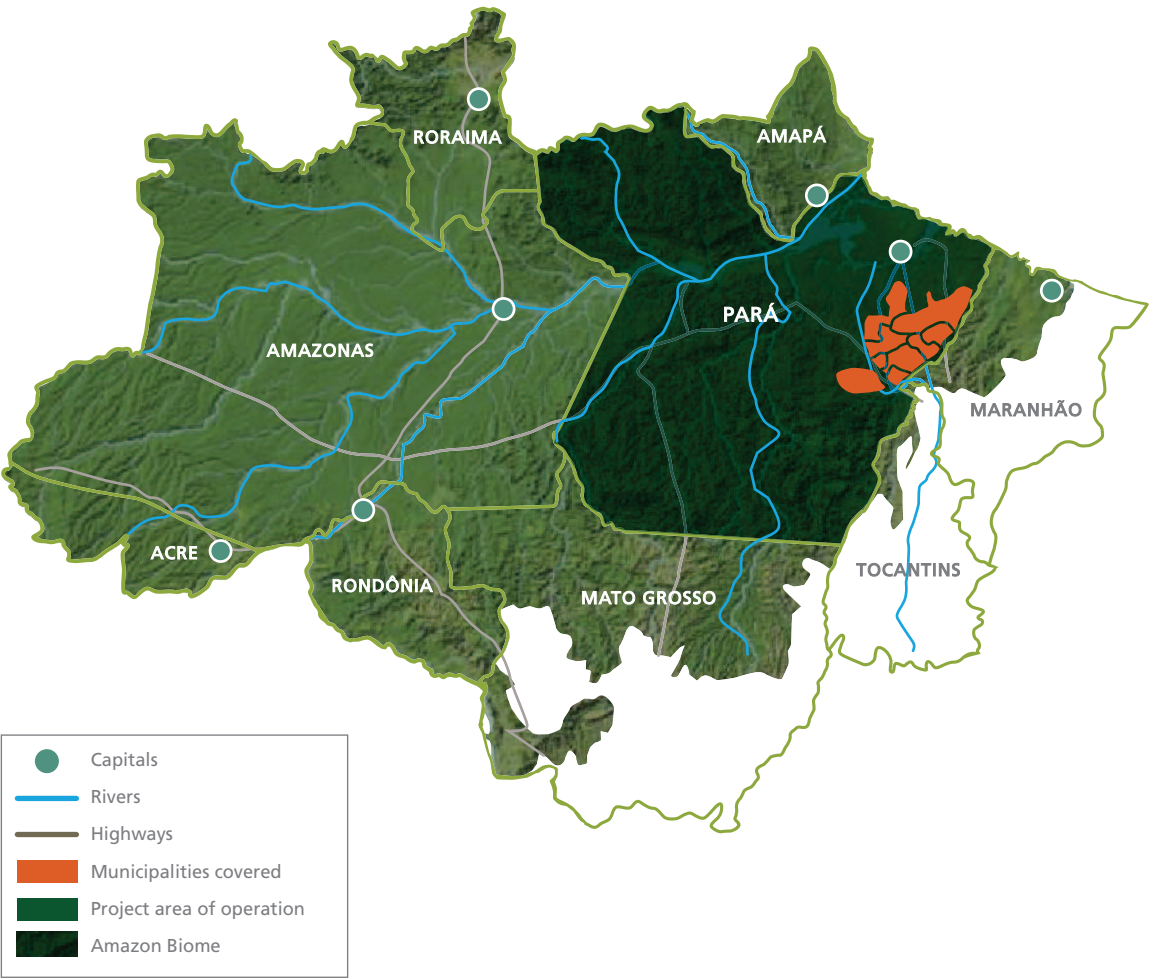
MUNICIPALITIES COVERED IN THE PROJECT

The municipalities of Abel Figueiredo, Bom Jesus do Tocantins, Breu Branco, Dom Eliseu, Goianésia do Pará, Itupiranga, Jacundá, Paragominas, Rondon do Pará, Tailândia and Ulianópolis amounting to an area of 66,640 km². Six of these municipalities are part of the list of the Ministry of the Environment of priority areas for prevention and control of deforestation in the Amazon. From these, nine were included in 2009 in the Legal Land Green Arc program from the Federal Government, which combines three components: incentives for sustainable activities, environmental adjustment and land-title regularization of rural property.

Only two of the 11 municipalities of this project are not part of the programs mentioned – Abel Figueiredo and Bom Jesus do Tocantins –, but they were included as operating areas for having more than 50% of their area deforested and for being spatially connected to the other municipalities, which presents an opportunity to expand the scope of the project and to take advantage of the interest of municipalities in developing activities to prevent deforestation and forest degradation.



FIGURE 52: IMAZON



Project: Sementes do Portal

Territorial coverage	Seven municipalities that comprise the region known as the Amazon Portal, in the far north of the state of Mato Grosso: Apiaçás, Alta Floresta, Carlinda, Nova Guarita, Nova Canaã do Norte, Terra Nova do Norte and Matupá
Responsible for the project	Ouro Verde Institute <www.ouroverde.org.br>
Beneficiaries	Family farmers and Terena indigenous community of the state of Mato Grosso
Objective	To foster environmental recovery of 1,200 hectares of degraded areas (restoration of permanent protection areas and legal reserves) and revaluation of family farming in six municipalities in the Portal territory of the Amazon, through the dissemination of agroforestry systems that combine the sustainable use of forest with income generation
Total value of project	R\$ 5,433,450.00
Value of the support from the Amazon Fund	R\$ 5,433,450.00
Period of execution	36 months (from the date of the contract)
Situation on 12.31.2011	Contracted on 3.25.2010
Amount disbursed (up to 12.31.2011)	R\$ 3,357,817.86

Context

The occupation of land in the Amazon Region demonstrates, in many cases, a certain pattern, characterized by deforestation, misuse and neglect. This type of occupation occurs in a disorderly and intense manner, depending on a specific activity (timber, mining, ranching) and generating temporary value and migratory pressures, only to be practically abandoned afterwards. In the

region of the Amazon Portal, located in the extreme north of Mato Grosso, the settlement process is no different, under the cycles of gold, timber and livestock.

This deforestation compromised permanent preservation areas, with serious damage to environmental services, especially with regard to water resources, concentration of income and land, and economic and social fragility of the whole region. It is estimated that, for example, more than 30% of the area used for pasture (approximately 300 acres) is completely degraded, with significant reduction in its capacity to support the cattle industry.

In rural settlements, this dynamic is compounded by the inadequate and disorganized way in which implantation takes place without an environmental diagnosis of the areas to be occupied, many of them already extremely degraded, and without technical and credit support that would enable farmers to adopt more appropriate agricultural practices in the region and to learn to value and manage forest resources.

Other problems faced by these farmers are social disintegration, the pressure to sell their land to large landowners and the lack of sustainable economic alternatives. The growing efforts of public authorities for compliance with environmental legislation showed the environmental liabilities of most of these properties, which represents an additional challenge because of the lack of technical support for the preparation of environmental recovery projects in addition to its associated costs.

Intervention Logic

The Sementes do Portal project intends to act in this context, focusing on the recovery of degraded areas through the structuring of social and technological foundations that enable farmers involved to continue the process of environmental recovery. This is an effort that is in line with recent

discussions in the state of Mato Grosso involving the rehabilitation and reforestation of degraded areas (i.e. a state plan to combat deforestation and forest fires).

The use of Agroforestry Systems (SAFs) to foster environmental recovery of degraded areas seeks to adapt rural properties to environmental laws; to protect and enhance the environmental services provided by these areas, especially the maintenance of waterways; to develop an economic alternative activity on the property; and to strengthen the food security of families.

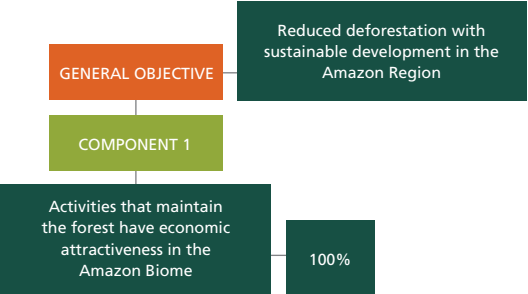
In the long term, the project seeks to strengthen other ways for farmers to use the land, through the recovery of the forest, the introduction of concepts and techniques such as the muvuca (implementation technique of agroforestry through the planting and management of various species of tree and agricultural seeds) and the discussion of the consequences of environmentally harmful practices, such as burning and intensive use of pesticides and fertilizers.

In a complementary way, the project also aims to foster the collection of native seeds as an important economic alternative in the region, within environmental practices and parameters suitable to the sustainable reproduction of forest resources while minimizing impacts caused by this activity. This will be done through the establishment of seed houses and the strengthening of a network of collectors who share technical and traditional knowledge on the subject. The participation of the Terena ethnic in this activity is of fundamental importance, as their area is well preserved and retains many forest species that are difficult to find in the region.

Expected Results

- 1,200 hectares of recovered degraded areas among APPs and legal reserves; and
- Implanted the network of collection, storage and distribution of seeds.

FIGURE 53: INTERVENTION LOGIC



MUVUCA TECHNIQUE

In the muvuca technique, or mixture of seeds, trees are planted at a high density, so that ten trees are set per square meter. The seeds of the trees, after “breaking dormancy”, are mixed with the soil and moistened, in a crumbly consistency, which is then distributed in rows on the ground. For good distribution in the field, the mixture of seeds that has been prepared, for example, for six crop rows may be divided into six piles, so that one pile is distributed in each line.

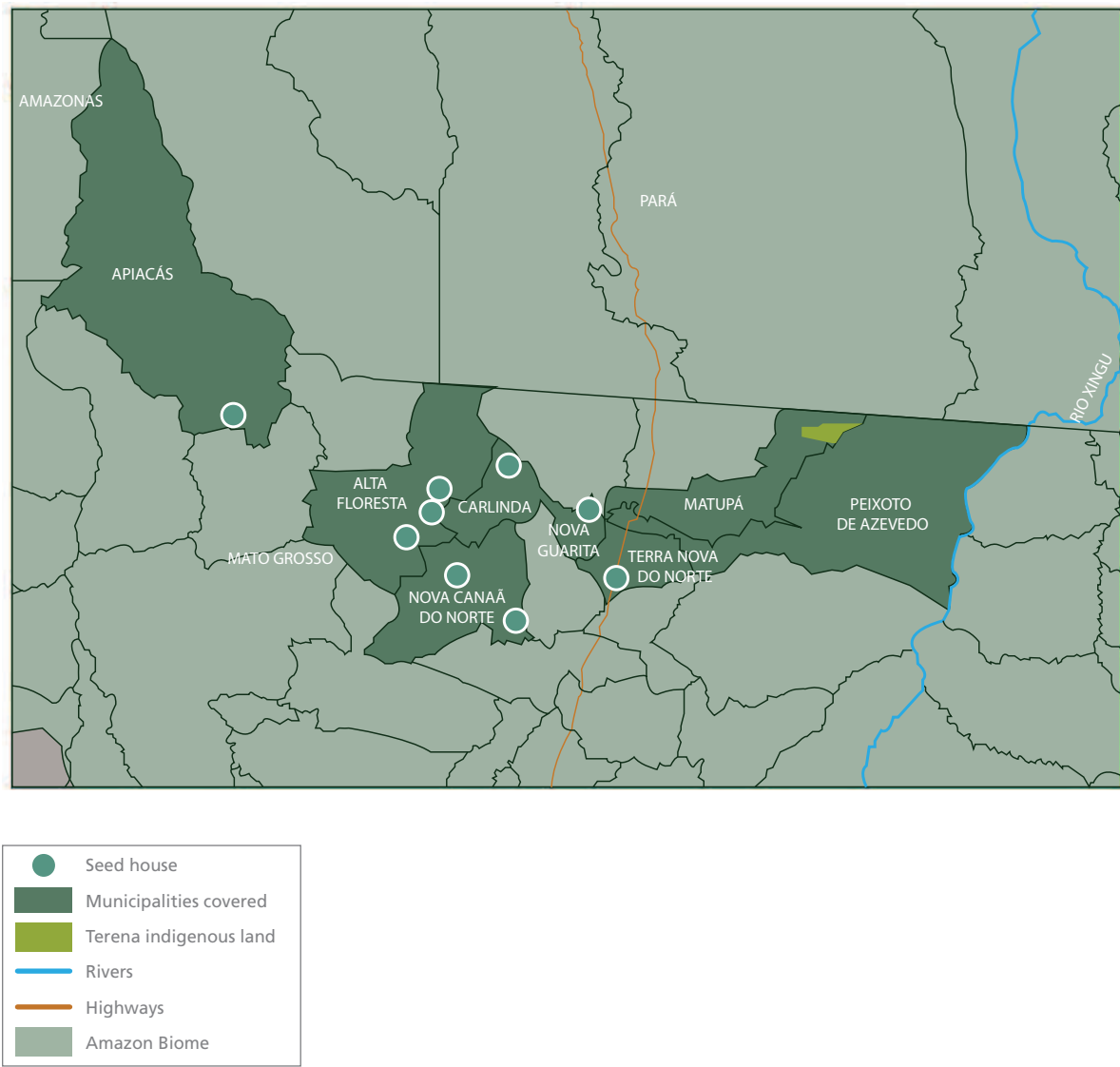
The seeds of the trees can germinate easily or take a long time to germinate, which is called dormancy. This is how plants work, seeds stay for a long time on the ground, waiting for the best environmental conditions to germinate. To speed germination, there are ways to “break dormancy”. For hard seeds, it is recommended to carefully sand, grate or cut the coat, creating a small opening. The cut should always be done opposite to the aril (the “eye” where the bud comes out). Another way is to cause a thermal shock in the seed, dipping it for one minute in hot water (up to 80°C) and then in cold water. In all cases, it is recommended to let the seed soak in water for 24 hours before planting, at room temperature, so the water is absorbed by the seed.

Source: Freedom and life with agroforestry guidebook.

FIGURE 54: SEMENTES DO PORTAL



FIGURE 55: PROJECT DETAILS



Projeto: Virada Verde

Territorial coverage	12 municipalities in the states of Mato Grosso and Pará
Responsible for the project	The Brazilian Nature Conservancy (TNC Brazil) < www.nature.org/brasil >
Beneficiaries	Municipal governments and farmers in general from the municipalities covered by the project.
Objective	To contribute to the mobilization of local players in 12 municipalities in the states of Mato Grosso and Pará, aiming for CAR access and to monitor deforestation in the region through satellite images.
Total value of project	R\$ 19,200,000.00
Value of the support from the Amazon Fund	R\$ 16,000,000.00
Period of execution	36 months (from the date of the contract)
Situation on 12.31.2011	Contracted on 4.13.2010
Amount disbursed (up to 12.31.2011)	R\$ 6,772,778.00

The area covered by the project includes 12 municipalities in the Amazon Biome, with some projects located in the transition area of the Cerrado. There are seven municipalities in the state of Mato Grosso (Campos de Júlio, Cotriguaçu, Juruena, Nova Mutum, Nova Ubiratã, Sapezal and Tapurah) and five in Pará (Bannach, Cumaru do Norte, Ourilândia do Norte, São Félix do Xingu and Tucumã). Mostly, these municipalities are home to economic activities related to logging, livestock and/or soybean cultivation, and are under heavy deforestation pressure.

Nova Ubiratan, Tapurah, Nova Mutum, Sapezal and Campos de Julio are part of the soybean pole in Mato Grosso, where part of rural properties are awaiting pending environmental legislation.

The municipalities of Cotriguaçu and Juruena are located in the northwestern region of Mato Grosso, where logging is still very strong, and this region has been a priority area in the implementation of the Integrated Environmental Management Project (PGAI).²⁰

The land of São Félix do Xingu, Ourilândia do Norte, Tucumã, Cumaru do Norte and Bannach are located in the São Félix do Xingu region, in the state of Pará, where livestock farming is the main form of land use. This region stands out in the list from the Ministry of the Environment of priority municipalities for efforts in the prevention and control of deforestation. However, despite leading in the rate of deforestation as a percentage of total area in the Amazon, the region still has the largest remaining forest area and is one of the most important mosaics of protected areas (indigenous lands and conservation units) in the state of Pará.

Intervention Logic

This project seeks to bring awareness, mobilize and integrate players – such as state and municipal governments, associations, unions and farmers – for the implementation of a model of economic development guided by the environmental suitability and environmental sustainability of the territory, through the promotion of CAR and the encouragement of processes of environmental regularization of rural properties in seven municipalities from the state of Mato Grosso and five from the state of Pará.

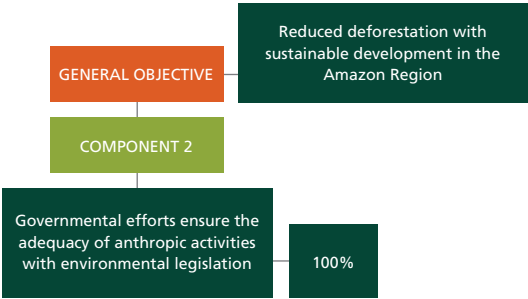
²⁰ The PGAI is the main executing arm of the Natural Resources Policy Subprogram (SPRN), which is part of the Pilot Program to Conserve Brazilian Rainforests (PPG-7).

Expected Results

- Adhesion to CAR by at least 50% of owners with more than 150 hectares;
- Website for the registration of properties, with necessary data for the process of environmental adaptation;
- At least ten million hectares with updated base map and high resolution satellite imagery available;
- At least 20% of the properties included in the CAR from SEMAs from the states of Pará and Mato Grosso in the final licensing process; and
- Customized system to monitor legal reserves and APPs, generating maps and reports for registered properties.



FIGURE 56: INTERVENTION LOGIC



RURAL ENVIRONMENTAL REGISTRATION

The Rural Environmental Registry (CAR) is the registry for rural properties in the Office of Environment of the state where the rural property is located that, through georeferencing of the total area, establishes the identification of the legal reserve, the area of permanent preservation, alternative uses for the land and what parts must be recovered within the property.

CAR is the first step for obtaining an environmental permit. It is linked to the rural property, regardless of transfer of property, possession or ownership. It allows the continuity of the process of environmental regularization of the rural enterprise and opens possibilities for obtaining bank loans. This formal act creates the conditions for monitoring illegal deforestation and is an important instrument for the protection of the Amazon Forest.

FIGURE 57: VIRADA VERDE





ANNEX 1

COFA's composition in 2011

FEDERAL GOVERNMENT

MINISTRY OF THE ENVIRONMENT

Izabella Teixeira
Mauro Oliveira Pires

MINISTRY OF DEVELOPMENT, INDUSTRY AND FOREIGN TRADE

Alexandre Comin
Demétrio Florentino de Toledo Filho

MINISTRY OF FOREIGN AFFAIRS

André Odenbreit Carvalho
Maximiliano da Cunha Henrique Arienzo

MINISTRY OF AGRICULTURE, LIVESTOCK AND SUPPLY

Caio Tibério Dornelles da Rocha
Erikson Camargo Chadoha

MINISTRY OF AGRARIAN DEVELOPMENT

Marco Aurélio Pavarino
César José de Oliveira

MINISTRY OF SCIENCE, TECHNOLOGY AND INNOVATION

Carlos Afonso Nobre
Carlos Alfredo Joly

CHIEF OF STAFF OF THE PRESIDENCY OF THE REPUBLIC

Rodrigo Lofrano Alves dos Santos
Leiza Martins Mackay Dubugras

SECRETARIAT FOR STRATEGIC AFFAIRS OF THE PRESIDENCY OF THE REPUBLIC

Cibele Fernandes Dias Knoerr
Arnaldo Carneiro Filho

THE BRAZILIAN DEVELOPMENT

BANK – BNDES
Elvio Lima Gaspar
Sergio Eduardo Weguelin Vieira

AMAZON STATES

ACRE

Carlos Edegard de Deus
Carlos Ovídio Duarte Rocha

AMAZONAS

Nadia Cristina D'Avila Ferreira
João Henrique Talocchi

AMAPÁ

Juliano Del Castilo Silva
Fabrício de Paula Santos Gomes

MARANHÃO

Fábio Gondim Pereira da Costa
Maria Olindina Medeiros Moreira

MATO GROSSO

Vicente Falcão de Arruda Filho
Ernandy Maurício Bacarat de Arruda

PARÁ

Teresa Lusía Mártires C. Cativo Rosa
Maria de Nazaré Imbiriba Mitschein

RONDÔNIA

Nanci Maria Rodrigues da Silva
Francisco de Sales Oliveira dos Santos

RORAIMA

Sérgio Pillon Guerra
Luis Emi de Souza Leitão

TOCANTINS

Divaldo José da Costa Rezende
Alexandre Tadeu de Moraes Rodrigues

CIVIL SOCIETY

NATIONAL CONFEDERATION OF INDUSTRY (CNI)

Justiniano de Queiroz Neto
Mario Augusto de Campos Cardoso

COORDINATION OF INDIGENOUS ORGANIZATIONS OF THE BRAZILIAN AMAZON (COIAB)

Lúcio Paiva Flores
Joênia Batista de Carvalho

NATIONAL CONFEDERATION OF AGRICULTURAL WORKERS (CONTAG)

Rosicleia dos Santos
Eliziário Noé Boeira Toledo

BRAZILIAN FORUM OF NGOS AND SOCIAL MOVEMENTS FOR THE ENVIRONMENT AND DEVELOPMENT (FBOMS)

Adriana Ramos
Joana Carlos Bezerra

FÓRUM NACIONAL DAS ATIVIDADES DE BASE FLORESTAL (FNABF)

Geraldo Bento
Ramiro Azambuja da Silva

BRAZILIAN SOCIETY FOR THE ADVANCEMENT OF SCIENCE (SBPC)

Helena Bonciani Nader
Ennio Candotti

During the year 2011, the following members
also played a role:

FEDERAL GOVERNMENT

MINISTRY OF THE ENVIRONMENT

Thais Linhares Juvenal
Deputy until October 17, 2011

MINISTRY OF DEVELOPMENT, INDUSTRY AND FOREIGN TRADE

Armando de Mello Meziat
Member until October 3, 2011
Marcos Otávio Bezerra Prates
Deputy until October 3, 2011

MINISTRY OF FOREIGN AFFAIRS

Renato Barros de Aguiar Leonardi
Deputy until October 3, 2011

MINISTRY OF AGRICULTURE , LIVESTOCK AND SUPPLY

Derli Dossa
Member until October 3, 2011
Helinton José Rocha
Deputy until October 3, 2011

MINISTRY OF SCIENCE, TECHNOLOGY AND INNOVATION

Luiz Antonio Rodrigues Elias
Member until October 5, 2011
Maria Luiza Braz Alves
Deputy until October 5, 2011

CHIEF OF STAFF OF THE PRESIDENCY OF THE REPUBLIC

Tereza Helena Gabrielli Barreto Campello
Member until October 3, 2011
Johaness Eck
Deputy until October 3, 2011

SECRETARIAT FOR STRATEGIC AFFAIRS OF THE PRESIDENCY OF THE REPUBLIC

Alberto Carlos Lourenço Pereira
Member until October 3, 2011
Pedro Lucas da Cruz Pereira Araújo
Deputy until October 3, 2011

THE BRAZILIAN DEVELOPMENT

BANK – BNDES

Eduardo Rath Fingerl

Member until May 16, 2011

Julio César Maciel Ramundo

Member until September 13, 2011

AMAZON STATES

ACRE

Fábio Vaz de Lima

Member until March 29, 2011

Eufran Ferreira do Amaral

Deputy until March 29, 2011

AMAZONAS

Graco Diniz Fregapani

Deputy until October 3, 2011

Natalie Unterstell

Deputy until September 13, 2011

AMAPÁ

Antônio Pinheiro Teles Júnior

Member until October 5, 2011

Raimundo Nonato Pires

Deputy until October 5, 2011

MATO GROSSO

Vivaldo Lopes Sias

Member until January 5, 2011

Alexander Torres Maia

Member until October 5, 2011

PARÁ

Aníbal Pessoa Picanço

Member until July 18, 2011

Rodolfo Fernando Moraes Pereira

Deputy until July 18, 2011

RONDÔNIA

Paulo Roberto Ventura Brandão

Member until October 5, 2011

Maria Dolores dos Santos da Costa

Deputy until October 5, 2011

RORAIMA

Haroldo Eurico Amóras dos Santos

Member until October 5, 2011

Sérgio Pillon Guerra

Deputy until October 5, 2011

TOCANTINS

David Siffert Torres

Member until October 5, 2011

Marcelo Olímpio Carneiro Tavares

Deputy until October 5, 2011

CIVIL SOCIETY

COORDINATION OF INDIGENOUS ORGANIZATIONS OF THE BRAZILIAN AMAZON (COIAB)

Antonio Marcos de Oliveira Alcântara Apurinã

Member until October 3, 2011

Sonia Boné de Souza Silva Santos

Deputy until October 3, 2011

NATIONAL CONFEDERATION OF AGRICULTURAL WORKERS (CONTAG)

Fani Mamede

Deputy until October 3, 2011

NATIONAL FORUM OF FOREST-BASED ACTIVITIES (FNABF)

João Carlos Baldasso

Member until October 5, 2011

Fernando Castanheira Neto

Deputy until October 25, 2011

BRAZILIAN FORUM OF NGOS AND SOCIAL MOVEMENTS FOR THE ENVIRONMENT AND DEVELOPMENT (FBOMS)

Marco Antonio Raupp

Member until October 3, 2011

Helena Bonciani Nader

Deputy until October 3, 2011

ANNEX 2

BNDES/Amazon Fund Team

THE BNDES' ENVIRONMENTAL DIVISION

DEPUTY MANAGING DIRECTOR

Sergio Eduardo Weguelin Vieira

MANAGEMENT DEPARTMENT OF THE AMAZON FUND (DEFAM)/ENVIRONMENTAL DIVISION

HEAD OF DEPARTMENT

Claudia Soares Costa

THE TEAM THAT , THROUGHOUT 2011, INTEGRATED DEFAM

Ana Luiza Landim, Ana Paula de Almeida Silva, Anderson Ana Luíza Pinto Ferreira Landim, Ana Paula de Almeida Silva, Anderson Márcio de Oliveira, André Banhara Barbosa de Oliveira, Angela Albernaz Skaf, Bernardo Martim Ferreira Saavedra Félix, Bernardo Von Haehling Braune, Daniel Rossi Soeiro, Dílson Ojeda Pires, Eduardo Bizzo de Pinho Borges, Eduardo Fonseca Brasil, Fábio Maciel Plotkowski, Gil Vidal Borba, Guilherme Arruda Accioly, Jorge Reis de Vasconcellos Sandes, Jose Eduardo Rocha Pinto, Júlio Salarini Guiomar, Marcos Vinicius da Silva Rocha, Mariana Bloomfield Coutinho, Mariana Guimarães Lima, Mauricio Busnello Furtado, Natália Faria de Souza, Renata Del Vecchio Gessulo, Roberto Pereira Riski, Rubem Carlos de Souza Studart, Simone Marafon Schneider, Telma de Castro Guimarães, Vivian Tavares da Costa e Wagner Gonzalez de Oliveira.

INTERNS

Luís Fernando Correa Pinto e Emanuelle Makiyama Bezerra

ANNEX 3

Deloitte.

Deloitte Touche Tohmatsu
Av. Presidente Wilson, 231 – 22^a
Rio de Janeiro – RJ – 20030-905
Brasil

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Fax: + 55 (21) 3981-0600
www.deloitte.com.br

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INDEPENDENT AUDITOR'S REPORT

To the Management of
The Amazon Fund
(Managed by the Brazilian Development Bank - BNDES)
Rio de Janeiro, RJ

We have audited the accompanying financial statements of the Amazon Fund (the "Fund"), which comprise the balance sheet as at December 31, 2011, and the statement of surplus, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Fund's management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting practices adopted in Brazil applicable to nonprofit entities, as well as for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of

Deloitte Touche Tohmatsu

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Amazon Fund as at December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil applicable to nonprofit entities.

Other Matters

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

Rio de Janeiro, April 20, 2012


DELOITTE TOUCHE TOHMATSU
Auditors Independentes


Marcelo Cavalcanti Almeida
Engagement Partner

Convenience Translation into English from the Original Previously Issued in Portuguese

THE AMAZON FUND
(Managed by Banco Nacional de Desenvolvimento Econômico e Social - BNDES)

STATEMENTS OF SURPLUS (DEFICIT)
For the Years Ended December 31, 2011 and 2010
(In thousands of Brazilian reais - R\$)

	Note	2011	2010
REVENUES			
Donations for investments	5	59,740	11,106
Donations for support	4	219	1,687
Financial income	4	8,344	5,244
EXPENDITURES			
Expenses on donations for investment	5	(59,740)	(11,106)
Expenses on income from project funds	5	(8,184)	(5,086)
Administrative expenses	6	(713)	(1,350)
(DEFICIT) SURPLUS FOR THE YEAR		(334)	495

The accompanying notes are an integral part of these financial statements.

Convenience Translation into English from the Original Previously Issued in Portuguese

THE AMAZON FUND
(Managed by Banco Nacional de Desenvolvimento Econômico e Social - BNDES)

STATEMENTS OF CHANGES IN NET ASSETS
For the Years Ended December 31, 2011 and 2010
(In thousands of Brazilian reais - R\$)

	Accumulated surplus
Balance at December 31, 2009	1,105
Surplus for 2010	495
Balance at December 31, 2010	1,600
Deficit for 2011	(334)
Balance at December 31, 2011	1,266

The accompanying notes are an integral part of these financial statements.

5

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THE AMAZON FUND
(Managed by Banco Nacional de Desenvolvimento Econômico e Social - BNDES)

STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2011 and 2010
(In thousands of Brazilian reais - R\$)

	Note	2011	2010
OPERATING ACTIVITIES			
(Deficit) surplus for the year		(334)	495
Expenses on income from project funds	5	8,184	5,086
Income (loss) on advance of funds by BNDES		-	(143)
Funds from operating activities		7,850	5,438
FINANCING ACTIVITIES			
Funds raised to finance projects	5	7,096	54,557
Funds used in projects	5	(59,740)	(11,106)
Funds from financing activities		(52,644)	43,451
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(44,794)	48,889
Cash and cash equivalents at beginning of year		85,994	37,105
Cash and cash equivalents at end of year	4	41,200	85,994
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(44,794)	48,889

The accompanying notes are an integral part of these financial statements.

Convenience Translation into English from the Original Previously Issued in Portuguese

THE AMAZON FUND
(Managed by Banco Nacional de Desenvolvimento Econômico e Social – BNDES)

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011
(In thousands of Brazilian reais - R\$)

1. GENERAL INFORMATION

Created under BNDES Resolution 1640, of September 3, 2008, The Amazon Fund is engaged in raising funds for non-reimbursable investments in the prevention, monitoring, and combat to deforestation, and in fostering the preservation and sustainable use of the Amazon rainforests, pursuant to Decree 6527, of August 1, 2008.

The Amazon Fund supports projects in the following areas:

- Management of public forests and protected areas;
- Environmental control, monitoring and inspection;
- Sustainable forest management;
- Economic activities developed from the sustainable use of forests;
- Ecological and economic zoning, territorial planning and land regularization;
- Preservation and sustainable use of biodiversity; and
- Recovery of deforested areas.

The Amazon Fund is managed by Banco Nacional de Desenvolvimento Econômico e Social (BNDES), which is also responsible for raising funds, contracting and monitoring the sponsored projects and actions.

The Entity has a Steering Committee (COFA), which is responsible for establishing guidelines and monitoring its performance.

The Amazon Fund became operational on October 9, 2009 with funds from donations.

As The Amazon Fund is not a legal entity on its own, its transactions are recorded in BNDES's specific accounts.

Convenience Translation into English from the Original Previously Issued in Portuguese

THE AMAZON FUND
(Managed by Banco Nacional de Desenvolvimento Econômico e Social – BNDES)

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011
(In thousands of Brazilian reais - R\$)

2. PRESENTATION OF FINANCIAL STATEMENTS

The financial statements have been prepared and are presented in conformity with accounting practices adopted in Brazil for nonprofit entities, according to the Brazilian Accounting Standard (NBC) 10.19, approved by Federal Accounting Council (CFC) Resolution 877, dated April 18, 2000.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include bank deposits and highly liquid short-term investments subject to an insignificant risk of change in value. These investments are classified as securities held for trading stated at cost plus income earned through the reporting date, and adjusted to fair value and classified in current assets. Income, gains and losses on these securities are recognized in profit or loss.

Project funds

Project funds refer to donations not yet used in projects. Pursuant to Decree 6527, of August 1, 2008, only 97% of the funds received should be allocated to projects. These amounts are recorded in liabilities, since they do not result in an increase or decrease in the Entity's equity, as the Fund is only the agent collecting and transferring funds for the projects.

Donations for support and administrative expenses

Pursuant to Paragraph 3 of article 1 of Decree 6527/2008, BNDES should allocate 3% of donations made to cover its operating costs and expenses relating to The Amazon Fund. The portion of donations for support is accounted for as income for the period, when actually received. Administrative expenses are recognized on the accrual basis.

Statement of cash flows

The Fund elected to present the statement of cash flows using the indirect method. The project funds were treated as financing activities, as the Fund acts solely as an agent collecting and transferring such funds.

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THE AMAZON FUND
(Managed by Banco Nacional de Desenvolvimento Econômico e Social – BNDES)

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011
(In thousands of Brazilian reais - R\$)

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are broken down as follows:

	2011	2010
Unused funds (*)	3	6,647
Short-term investments	41,197	79,347
Fundo Gaia	39,934	77,949
BNDES	1,263	1,398
Total	41,200	85,994

(*) The Amazon Fund maintains an average amount of R\$3 (three thousand Brazilian Reais) in the bank account, whose amount is not invested, to cover administrative expenses, if any, charged by BNDES. In 2010, the account balance was R\$6,647 (six million six hundred and forty seven thousand Brazilian Reais), relating to the donation received by KFW as at December 31, 2010; such amount was held in the bank account up to January 3, 2011.

Pursuant to Decree 6527, of August 1, 2008, 97% of the donations received is used in projects. The Amazon Fund allocates these funds to a specific investment account. The funds are invested in Fundo Exclusivo Gaia, managed by Banco do Brasil DTVM, which are backed by government bonds and yield interest based on Fundo Gaia's return rate.

Changes in cash and cash equivalents are as follows:

	2011		
	Total	Project funds (Fundo Gaia)	Funds for support
Balance at December 31, 2010	85,994	84,394	1,600
Yield	8,344	8,184 (*)	160
Administrative expense	(713)	-	(713)
Funds released	(59,740)	(59,740)	-
Donation from Petrobras	7,315	7,096	219
Balance at December 31, 2011	41,200	39,934	1,266

(*) This amount includes R\$11,000 (eleven thousand Brazilian reais) relating to an adjustment to Income (loss) on advance of funds by BNDES, recorded in 2010.

Convenience Translation into English from the Original Previously Issued in Portuguese

THE AMAZON FUND
(Managed by Banco Nacional de Desenvolvimento Econômico e Social – BNDES)

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011
(In thousands of Brazilian reais - R\$)

	<u>2010</u>		
	Total	Project funds (Fundo Gaia)	Funds for support
Balance at December 31, 2009	37,105	35,989	1,116
Yield	5,244	5,099	145
Interests on advance of funds by BNDES	(143)	(143)	
Administrative expense	(1,350)	-	(1,350)
Funds released	(11,106)	(11,106)	
Donations from the Norwegian Ministry of Foreign Affairs	49,600	48,111	1,489
Donations from KFW	6,644	6,444	200
Balance at December 31, 2010	85,994	84,394	1,600

5. PROJECT FUNDS

Project funds were received from the Norwegian Ministry of Foreign Affairs, KFW and Petrobras, and are earmarked to specific projects related to The Amazon Fund purposes.

The changes in the project funds are as follows:

	<u>2011</u>
Balance at December 31, 2010	84,394
Yield	8,184
Funds released	(59,740)
Donations received in 2011	<u>7,096</u>
Total	<u>39,934</u>
	<u>2010</u>
Balance at December 31, 2009	36,000
Yield	5,086
Interests on advance of funds by BNDES	(143)
Funds released	(11,106)
Donations received in 2010	<u>54,557</u>
Total	<u>84,394</u>

Convenience Translation into English from the Original Previously Issued in Portuguese

THE AMAZON FUND
(Managed by Banco Nacional de Desenvolvimento Econômico e Social – BNDES)

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(In thousands of Brazilian reais - R\$)

The amount of R\$59,740 in 2011 (R\$11,106 in 2010) is recorded in "Revenue from donations for investments" and "Expenses on donations for investments". This amount is recorded in both line items, resulting in a zero balance, as The Amazon Fund is a not-for-profit organization.

The project funds yield interest based on the same index as that used to adjust cash and cash equivalents.

Since the beginning of its activities until 31 December 2011, the Amazon Fund received funds from the following donors:

<u>Donor</u>	
Norwegian Ministry of Foreign Affairs	83,468
KFW	6,444
Petrobrás	<u>7,096</u>
Total	<u>97,008</u>

The amounts above account for 97% of donations.

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The amounts released for projects are as follows:

Beneficiary	Operations contracted	Amount released up to 2010	Amount released in 2011	Total amount released	Unreleased balance
State of Acre	60,000	-	31,557	31,557	28,443
City of Alta Floresta/MT	2,781	-	2,352	2,352	429
State of Amazonas	20,000	-	1,129	1,129	18,871
State of Mato Grosso / Bombeiros / MT	12,625	-	-	-	12,625
City of Carlinda/MT	1,871	-	1,160	1,160	711
Fundação Amazonas Sustentável (FAS)	19,169	3,999	3,110	7,109	12,060
Fundo DEMA	9,347	-	591	591	8,756
Fundo Brasileiro para a Biodiversidade (FUNBIO) / ARPA	20,000	4,999	-	4,999	15,001
Fundo Brasileiro para a Biodiversidade (FUNBIO) / KAYAPO	16,900	-	-	-	16,900
Instituto Floresta Tropical (IFT)	7,449	-	1,726	1,726	5,723
Instituto do Homem e Meio Ambiente da Amazônia (IMAZON)	9,736	-	3,577	3,577	6,159
Instituto Ouro Verde (IOV)	5,433	1,335	2,023	3,358	2,075
City of Maracá / MT	669	-	-	-	669
Museu da Amazônia (MUSA)	8,454	-	2,437	2,437	6,017
City of Porto dos Gaúchos/MT	134	-	121	121	13
State of Pará's Department of Environment	15,923	-	3,216	3,216	12,707
Instituto de Conservação Ambiental "The Nature Conservancy do Brasil" (TNC)	16,000	773	6,000	6,773	9,227
Fundação MURAKI/Universidade do Estado do Amazonas (UEA)	4,615	-	741	741	3,874
Fundação de Amparo e Desenvolvimento da Pesquisa (FADESP) / Universidade Federal do Pará	2,704	-	-	-	2,704
Total	233,810	11,106	59,740	70,846	162,964

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6. ADMINISTRATIVE EXPENSES

Administrative expenses in 2011 and 2010 are broken down as follows:

	<u>2011</u>	<u>2010</u>
Travel and lodging	510	474
Audit	113	68
Committees	8	16
Seminars and events	16	483
Advertising	55	304
Other expenses	<u>11</u>	<u>5</u>
Total	<u>713</u>	<u>1,350</u>

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NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011
(In thousands of Brazilian reais - R\$)


SELMO ARONOVICH
Head of Financial Division


CARLOS FREDERICO RÂNGEL DE CARVALHO SILVA
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Accountant
CRC-RJ 087956/O-8



RULES APPLICABLE TO BNDES FOR THE USE AND REQUEST OF FINANCIAL RESOURCES FROM DONATIONS EARMARKED FOR THE AMAZON FUND

1. Acronyms and Definitions

CAIU (VDCI)	Cash Available for Immediate Use (funding allocated for prior semesters and not used)
UCAIU (VDCIA)	Updated Cash Available for Immediate Use (portion of the balance available from the Gaia Fund allocated for use in the following semester)
NF (NR)	Need for Funding
ANF (NRA)	Adjusted Need for Funding
TSUF (PTRNS)	Total Score of Unrequested Funding
Deferred Agreement	Agreement providing for the effective inflow of funding donated throughout the Agreement's duration by means of requests for disbursements by BNDES.
Instant Donations	Cash provided to the Gaia Fund, coming from instant direct donations, fundraising campaigns, or agreements entered into with the inflow of resources being unlinked to BNDES' disbursement needs.
UF (RNS)	Unrequested Funding (amount remaining from deferred agreements)
Gaia Fund	Fixed income fund, under the name of the BNDES, managed by Banco do Brasil, where donated resources remain until disbursement to projects supported by the Amazon Fund.

2. Scope

The rules below apply to the BNDES for use and request of financial resources from donations earmarked for the Amazon Fund. The resources available in the Gaia Fund must be used in accordance with the rules set forth herein, aimed at striking a balance between the request for funding from Deferred Agreements and those available from Instant Donations.

3. Changes

Any change in the provisions herein must be approved in writing by all donors with Deferred Agreements in effect.

4. Basic Principles

- i) The expected disbursements for Amazon Fund projects for each semester must be made by Gaia Fund resources (resulting from the transfers from Deferred Agreements and Instant Donations already made and not used by the BNDES) and, if required, by funding available from the Deferred Agreements, but not yet requested.
- ii) Funding injected into the Gaia Fund must, whenever possible, be disbursed to Amazon Fund projects within 2 (two) years after its inflow.
- iii) Instead of being used immediately, funding from Instant Donations must be allocated for disbursement to Amazon Fund projects within the three semesters following its receipt.
- iv) The total amount to be requested from Deferred Agreements in force must be divided among them, giving priority to older agreements.

5. Rules

i) All funding from the Gaia Fund earmarked for use in Amazon Fund projects during a determined semester (semester 0), but which had not been disbursed in the respective semester, must be used in the following semester (semester 1) and will be included in the Cash Available for Immediate use (CAIU).

ii) All Instant Donations received during a semester (Semester 0) must remain in the Gaia Fund until the end of such semester, when they must be distributed for use in the three following semesters. In order to calculate the amount allocated for each semester (Semesters 1, 2 and 3), Instant Donations must be divided into three parts proportional to the disbursement expected for the projects in those three semesters. The portion of Instant Donations allocated in Semester 1 must be added to CAIU. This amount is named Updated Cash Available for Immediate use (UCAIU).

iii) Should the disbursement to Amazon Fund projects estimated for Semester 1 exceed UCAIU, the difference between UCAIU and the estimated disbursement will be called Need for Funding (NF).

iv) The NF must be divided by 0.97 (zero point nine seven) in order to offset the impact from the 3% (three percent) deduction made on all donations received by the Amazon Fund to cover its operating costs and expenses. The amount resulting from the division of NF by 0.97 is called Adjusted Need for Funding (ANF). The ANF must be requested from donors with Deferred Agreements in effect and whose conditions for disbursement are met.

iv.1) A Deferred Agreement may comprise several "subcontracts" whose funding can be available on different dates and that, for the effect of priority, will be considered independent Deferred Agreements.

iv.2) Accordingly, deferred agreements can be amended, in order to increase the amount of the original donation. In these cases, amendments will be considered new Deferred Agreements. The amount added under amendments, for the purpose of priority, will be considered a new independent agreement.

v) Deferred Agreements with UF lower than R\$ 1,000,000.00 (one million Reais) must be fully disbursed before the others.

vi) Deferred Agreements with funding associated to budgetary restrictions that require transfers within a determined fiscal year, in accordance with rules applicable to donors or specific stipulations in the donation agreements, must be used before the others.

vii) If the ANF has not been met after the application of items 'v' and 'vi' above, funding from the Norway/2009 Deferred Agreement (first amount estimated for donation by Norway, in accordance with the Donation Agreement entered into on 03.25.2009) must be requested. Until this Deferred Agreement is fully disbursed, no request for funding from other Deferred Agreements shall be made.

viii) If the ANF has not been met after the application of items 'v' to 'vii' above, the proportion of the ANF to be requested from each Deferred Agreement must be established in accordance with the following rules:

- a. A weight must be assigned to each Deferred Agreement, in accordance with the semester in which their funding became available. To attribute the weights, the date that contract funding becomes available is that on which the conditions for use are implemented, except for those assigned for the compliance by the BNDES or by the Technical Committee of the Amazon Fund (CTFA). In the first semester in which funding from a Deferred Agreement is available (semester 1), the weight associated to the agreement will be 1. Each semester, the weight will be doubled, so that, in the second semester after it becomes available, its weight would be 2, and in the third semester 4, and in the fourth semester 8, and so on. Deferred Agreements with a weight of 32 will be attributed the weight of 1000 in the following semester.

- b. The Unrequested Funding (UF) in each Deferred Agreement must be calculated. The UF will be equivalent to the amount pledged in the donation agreement, minus the amounts already disbursed to the Amazon Fund.
- c. The UF of each Deferred Contract must be multiplied by the weight of the agreement. After such multiplication for all agreements and adding up the results, we will have the Total Score for Unrequested Funding (TSUF).
- d. The portion of the ANF to be requested from each Deferred Agreement must be calculated in proportion to the ratio between the amount obtained by multiplying the UF of the Deferred Agreement by its weight and TSUF (i.e., the amount to be requested from each agreement will be $(ANF * UF * weight) / TSUF$).
- e. Should the amount to be requested from one or more agreements be higher than its UF, the total amount of the UF of such agreement must be requested. In this case, the amount of the ANF must be reduced from the amount of the UF for the respective agreement, and the procedure in item 'd' must be repeated for the other Deferred Agreements.
- f. In the event there is more than one Deferred Agreement in effect and with conditions for use already met between the BNDES/Amazon Fund and a determined donor (e.g., when a donor pledged its funding by means of several subcontracts with different values, characterizing more than one Deferred Agreement), the amount to be requested from each of these agreements must be calculated separately, but the calculated amounts must be added up and requested from the Deferred Agreement of the referred donor with the highest weight. Should the total amount be higher than the UF for the respective Deferred Agreement, the excess must be requested from the Deferred Agreement with the second highest weight among the donor's contracts.

5.1 Sample Application of Rules

5.1.1 Sample Calculation of Weights for the Deferred Agreements

(example for calculating weights in the second semester of year 't')

Current Semester when the funding became available	Year t Sem. 2
Year t-3, semester 1	1000
Year t-3, semester 2	1000
Year t-2, semester 1	32
Year t-2, semester 2	16
Year t-1, semester 1	8
Year t-1, semester 2	4
Year t, semester 1	2
Year t, semester 2	1

5.1.2 Sample Application of Rules (amounts and dates merely for illustration purposes)

i) Supposing that in the end of the first semester of 2011 (end of 2011/1, beginning of 2011/2), the Gaia Fund has R\$ 40 million available, of which R\$ 25 million is unused funding received from Deferred

Agreements that should have been used in previous semesters (CAIU), and R\$ 15 million is from Instant Donations. Of this, R\$ 10 million was donated in 2011/1 (semester 0) and R\$ 5 million corresponds to Instant Donations made in previous semesters. This example presumes that the R\$ 5 million donated by means of Instant Donations in previous semesters was fully allocated for use in 2011/2.

ii) The amounts expected from disbursements to Amazon Fund projects in 2011/2, 2012/1 and 2012/2 will be, respectively, R\$ 80 million, R\$ 170 million and R\$ 150 million. The Instant Donations received in 2011/1 (R\$ 10 million) must be distributed throughout the three following semesters proportional to the estimated disbursement for each of them, as follows:

$$\begin{aligned} 2011/2: & \text{R\$ } 10 \text{ million} * 80 / (80 + 170 + 150) = \text{R\$ } 2 \text{ million} \\ 2012/1: & \text{R\$ } 10 \text{ million} * 170 / (80 + 170 + 150) = \text{R\$ } 4.25 \text{ million} \\ 2012/2: & \text{R\$ } 10 \text{ million} * 150 / (80 + 170 + 150) = \text{R\$ } 3.75 \text{ million} \end{aligned}$$

The UCAIU for 2011/2 will be the result from the sum of CAIU, part of the Instant Donations received in 2011/1 which was allocated for use in 2011/2 (R\$ 2 million), and the Instant Donations made in prior semesters which have been allocated for use in 2011/2 (R\$ 5 million).

CAIU	R\$ 25 million
Part of Instant Donations received in 2011/1 (allocated 2011/2)	R\$ 2 million
Instant donations received previously and allocated for 2011/2	R\$ 5 million
UCAIU	R\$ 32 million

iii) As the estimated disbursement for 2011/2 is R\$ 80 million and R\$ 32 million of the funding already in the Gaia Fund will be used, the Need for Funding (NF) will be R\$ 48 million (R\$ 80 million minus R\$ 32 million).

iv) By adjusting the Need for Funding (NF) to offset the 3% (three percent) deduction to cover the operating cost and expenses of the Amazon Fund, the Adjusted Need for Funding is achieved, which totals approximately R\$ 49.5 million ($48 / 0.97$).

v) Presuming that the special cases provided in rules 'v', 'vi' e 'vii' of item 5 above are not applicable, the ANF will be divided among the Deferred Agreements with conditions for use that are met. The example presumes that five Deferred Agreements are in effect. The table for setting the weight of each agreement is as follows:

Semester funding available	Current Semester when became	2011/2
2006/1		1000
2006/2		1000
2006/1		32
2009/2		16
2010/1		8
2010/2		4
2011/1		2
2011/2		1



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Following are the five Deferred Agreements in effect whose conditions for disbursement are met:

Agreement	Donator	Unrequested Funding (UF) (in R\$ million)	Date of availability (Weight)	UF * Weight
C1	P1	60	2010/1 (8)	480,000
C2	P2	40	2010/1 (8)	320,000
C3	P3	120	2010/1 (8)	960,000
C4	P1	20	2011/1 (2)	40,000
C5	P4	15	2011/1 (2)	30,000
Total		255	*	1,830,000

TSUF, the sum of (UF * Weight) for each agreement, will be, in this case, R\$ 1,830,000.00. The ANF is R\$ 49,500,000.00.

The amount to be requested from the C1 agreement will be $ANF * (UF * Weight / TSUF)$, or:

Amount (C1) = $49,500,000 * (480,000,000 / 1,830,000,000) = R\$ 12,983,606.56$

Repeating the calculation for the other contracts, we have:

Amount (C2) = $49,500,000 * (320,000,000 / 1,830,000,000) = R\$ 8,655,737.71$

Amount (C3) = $49,500,000 * (960,000,000 / 1,830,000,000) = R\$ 25,967,213.11$

Amount (C4) = $49,500,000 * (40,000,000 / 1,830,000,000) = R\$ 1,081,967.21$

Amount (C5) = $49,500,000 * (30,000,000 / 1,830,000,000) = R\$ 811,475.41$

As agreements C1 and C4 are from the same donator, the total amount for these two requests, R\$ 14,065,573.77, must be requested from the agreement with the highest weight, C1, instead of making two requests to the same donator.

The total value to cover the disbursements estimated for 2011/2 will be divided, thus, as follows:

Source	Amount (R\$)
Agreement C1	14,065,573.77
Agreement C2	8,655,737.71
Agreement C3	25,967,213.11
Agreement C4	n/a
Agreement C5	811,475.41
Total Request regarding the Deferred Agreements	49,500,000.00
- 3% deduction (approx.)	1,500,000.00
Portion of request from the Deferred Agreements to be allocated in Amazon Fund projects	48,000,000.00
UCAIU	32,000,000.00
Total	80,000,000.00

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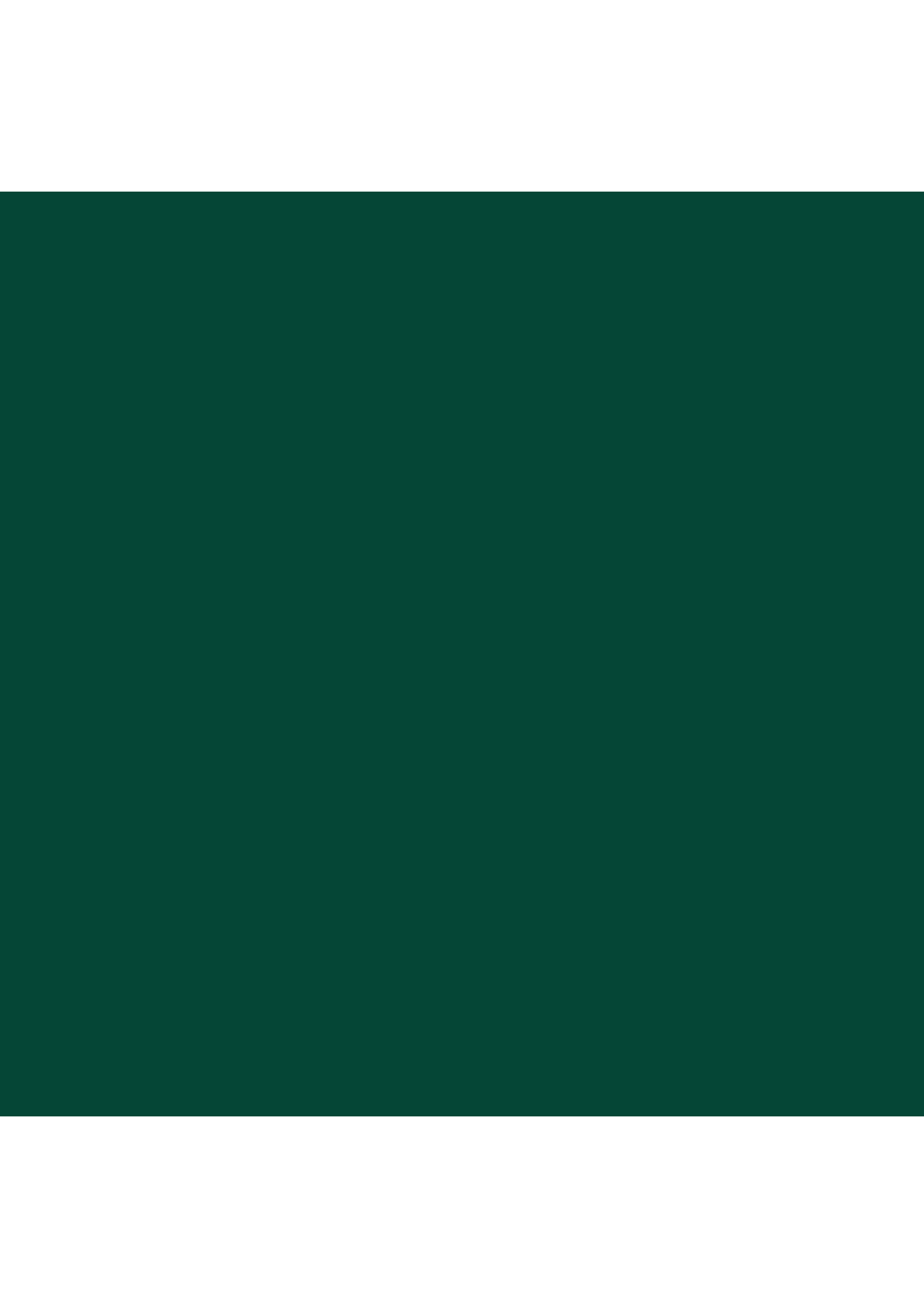
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